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OAU Tells Chad to Set Cease-Fire by June 30

By Pranay B. Gupta
New York Times Service

NAIROBI — The Organization of African Unity said Thursday that it would withdraw its peacekeeping forces from Chad by June 30 unless President Goukouni Oueddei arranged a cease-fire and started negotiating with rebels who are trying to overthrow his government.

In a resolution approved unanimously by leaders from 11 African states who assembled here for a special summit conference, Mr. Goukouni was also told that he must organize legislative and presidential elections by June 30 and fashion a new constitution for his country of 4.5 million overwhelmingly poor people, which has been riven by civil war almost since its independence from France 22 years ago.

The Chadian president stormed out of the summit session early Thursday morning and was quoted by participants as shouting, "I am betrayed."

Later in the morning, after the OAU had announced its decision, a presidential spokesman, Ramat al-Khalil, said the Chadian government rejected the OAU resolution. "We took part in the conference and we are not bound by its resolutions," he said. "We contest the legality of this OAU committee."

The African leaders urged in their resolution that all member states of the OAU contribute money to the peacekeeping force in Chad, and they reaffirmed the "neutral character" of the force.

Apart from the elections of June 30, the resolution also called on the Chadian government to institute a cease-fire by Feb. 28, to commence negotiations with the rebels by March 15 and to prepare a new constitution by April 30.

The resolution also said that the mandate of the peacekeeping force would end by June 30 and the

troops would be withdrawn by then. A subsequent "press communiqué" issued by the OAU secretariat said that "the continued presence of the OAU peacekeeping force in Chad will be contingent" on the Goukouni government accepting the conditions laid down in Thursday's resolution.

The OAU decision came at the end of a two-day special summit meeting that had been called by President Daniel arap Moi of Kenya, the 50-state organization's current chairman, to review the situation in Chad, where 3,000 troops from Nigeria, Senegal and Zaïre have been stationed under an OAU mandate since last December. These troops moved in after the withdrawal of Libyan soldiers whom President Goukouni had invited to assist his forces in fighting guerrillas led by former Defense Minister Hissène Habré.

Although the OAU's resolution was approved unanimously by the organization's Standing Committee on Chad, some of the participants expressed concern over the decision. Foreign Minister Peter Nze of the Congo told Radio France International Thursday night that "anarchy could result" in Chad if the OAU peacekeeping force withdrew.

Earlier, at the all-night OAU session — where the participants included heads of state from Nigeria, Zaïre, Guinea, the Central African Republic and Zambia — President Goukouni was involved in acrimonious exchanges with other African leaders.

According to delegates who were present in the auditorium at the Kenyatta Conference Center, Mr. Goukouni interrupted President Shabani of Nigeria while Mr. Shagari was talking about the need for "national reconciliation" in Chad. "We are here to talk about financing the peacekeeping force, nothing else," Mr. Goukouni

shouted, referring to an earlier statement by Secretary-General Edem Kodjo of the OAU that the force would need an additional \$163 million in emergency donations to keep it going in Chad during the next year.

Mr. Goukouni was shouted down by President Ahmed Sekou Touré of Guinea. "You have no business interrupting other esteemed delegates, especially since you did not bother showing up on time," Mr. Sekou Touré said, referring to the Chadian president's late arrival in Nairobi.

At that point Mr. Goukouni walked out.

Several hours later, the African leaders unanimously approved their resolution.

Threat of Attack

KHARTOUM, Sudan (NYT) — Mr. Habré said he will attack toward the capital, N'jamena, if the OAU did not make progress toward a settlement, according to reports reaching here from eastern Chad.

The reports, quoted by Western diplomatic sources, said Mr. Habré was threatening to move within the next few weeks. Mr. Habré's calculation, the sources said, was that time was against him because of growing food and fuel shortages in his eastern stronghold. The longer he waited there, the more difficult it would be to get enough supplies to move across 400 kilometers (250 miles) of harsh, semi-desert terrain toward N'jamena.

The timing of Mr. Habré's threat to make further advances, a Western diplomat said, suggests that he is trying to put pressure on the OAU to sponsor negotiations in Chad that would enable him to renew his bid for the presidency. The deep animosity between Mr. Habré and Mr. Goukouni seems to preclude direct talks.



U.S. Secretary of State Alexander M. Haig Jr., in Morocco for talks with King Hassan II, kept a pace ahead of Premier Maati Boudiaf as they reviewed troops Thursday at Marrakesh airport.

Haig Is in Morocco for Talks On U.S. Aid and Polisario

By John M. Goshko
Washington Post Service

MARRAKESH, Morocco — Secretary of State Alexander M. Haig Jr. flew here Thursday for talks with King Hassan II against

a background of persistent Moroccan appeals for increased U.S. support against guerrillas in the former Spanish Sahara.

A senior U.S. official accompanying Mr. Haig denied that there was anything "dramatic or urgent" about the visit. He said Mr. Haig, who attended a conference on the Helsinki accords in Madrid earlier this week, was taking advantage of his proximity to Morocco to make up a scheduled December trip that was canceled because of the Polish crisis.

But the official also acknowledged that the Reagan administration placed a high premium on cultivating close ties with King Hassan because he is an important moderate among Arab leaders.

The United States officially is neutral in King Hassan's war against Polisario Front guerrillas who are seeking control of the Western Sahara. However, in one of his first acts after taking office, President Reagan reversed restrictions that had been imposed on U.S. military aid to Morocco and offered to sell King Hassan 108 M-60 tanks without conditions.

Amounts Undecided

The senior official said that although final amounts have not been decided, the administration planned to ask Congress for a substantial increase in military assistance for Morocco, which currently is pegged at \$34 million in military sales credits for fiscal 1982.

In addition, the official continued, Morocco is among those countries to be included in a new administration attempt to convince Congress it should grant the aid on special concessional terms

involving either very low interest or forgiveness of part of the amount that must be repaid, in the fiscal 1983 appropriations.

There have been recurrent rumors that the United States, in exchange for increasing its aid, wants to get King Hassan's permission to reopen one or more of the four air bases maintained by U.S. forces in this North African country, until 1963.

However, the senior official said, Moroccan sensitivity about its independence was unlikely to permit such a move. The official did acknowledge, though, that U.S. strategic planners have weighed the possibility of seeking landing rights at Moroccan bases in cases where a Mideast emergency might require use of the U.S. Rapid Deployment Force.

The Polisario guerrillas, who want to transform the disputed territory into an independent country that they call the Sahara Democratic Arab Republic, last autumn scored some striking successes against King Hassan's forces, using Soviet weapons supplied by Libya.

U.S. efforts to resolve the conflict center on a plan proposed by King Hassan calling for a ceasefire to be followed by a referendum to determine the future of the territory's estimated 100,000 inhabitants.

In addition to its importance to U.S. strategic planning, the administration also looks to King Hassan as a potentially influential moderating force in helping to resolve the Arab-Israeli conflict and to siding with Egypt to achieve a reconciliation with the rest of the Arab world.

Syrian Troops Surround City; Revolt Is Denied

By Mort Rosenblum
The Associated Press

DAMASCUS — Fighting between Sunni Moslem rebels and Syrian troops continued Thursday in the city of Hama, Western diplomatic and other foreign sources said. Syrian authorities confirmed that the city remained sealed off for the ninth day.

The government said Hama, 120 miles (192 kilometers) north of Damascus, was surrounded by about 8,000 troops, but it criticized U.S. reports of a revolt in the city as "pure lies."

Diplomatic and other accounts say that hundreds of people have died and that damage has been extensive in the city of 170,000, Syria's fourth largest.

A Westerner attempting to reach Hama was turned back by police who told him he could not continue because of fighting. He said he saw troops heading into the city and ambulances coming out.

Brotherhood Stronghold

Information Minister Ahmed Iskandar Ahmed said that troops in Hama were searching house-to-house for weapons and "dissidents." Hama is a stronghold of the outlawed Moslem Brotherhood. The minister gave no details but said, "We have very firm ways of getting rid of criminals."

He added, "The situation in Syria is quiet, firm and strong." Asked by reporters if they could visit Hama, he replied, "Possibly ... when the last of the criminals are arrested." He would not say how long that might be.

U.S. Ambassador Robert Paganelli was summoned Thursday by Deputy Foreign Minister Nasir Kaddour to hear a strong complaint about State Department reports on the situation in Hama. Syrian authorities were angered by a reference to the Hama troubles in a State Department briefing Wednesday to Washington.

They called it an unacceptable interference in Syrian affairs.

Syrian officials apparently were reacting to radio reports that combined a brief State Department remark with information from other sources.

The Moslem Brotherhood has been fighting to depose President Hafez al-Assad and replace his government with a Moslem fundamentalist regime. Hama's people are predominantly Sunni Moslem.

Although 65 percent of the Syrian people are Sunni Moslems and 11 percent are Alawites, the government and most of the economy are controlled by the Alawites. Mr. Assad is an Alawite.

The government has been under increasing domestic pressure for the past two years. There were reports of a coup attempt by air force officers in early January. Western intelligence experts said the government arrested 300 people and executed 30 to 50 officers. Government troops put down an uprising in Hama in March, 1980, with an estimated 200 to 300 deaths. More disturbances were reported last April.

Total Explosion Reported

NEW YORK (AP) — The office here of the Islamic Front in Syria, which is related to the Moslem Brotherhood, distributed a statement dated Feb. 9 describing the situation in Syria as having erupted to "total explosion."

The Front said government forces bombed and rocketed Hama Feb. 2. It said residents led by guerrillas retaliated and seized control of all government posts, including army munitions warehouses and the military airport. Arms were distributed, the statement said.

"More than 50 government officials and informants were executed," the statement said. It said that Regiment 47 of the Syrian Army, stationed in Hama, joined the rebels.

U.S. Aides Say Jordan May Be Offered Missiles

By George C. Wilson
Washington Post Service

AMMAN — Defense Secretary Caspar W. Weinberger may offer Jordan mobile anti-aircraft missiles and perhaps the F-16 fighter in hopes of persuading King Hussein to cancel an arms deal with Moscow, U.S. officials here say.

Mr. Weinberger told reporters traveling with him Wednesday night that he was leaning in this direction as part of a U.S. effort to broaden its base of support in the Middle East.

"He does have real needs in air defense," Mr. Weinberger said of King Hussein. "He should have very good equipment that is flexible and accurate."

[The king took Mr. Weinberger on a helicopter tour of military sites Thursday and then told reporters he wanted to buy the mobile missiles but would not cancel the deal with Moscow.]

"We certainly would like to have the Hawk missiles at some point in the future," King Hussein said after taking Mr. Weinberger to a missile site near a military airfield 60 miles northwest of Amman. The Hawk batteries were fixed there in open concrete basins.

"[This was an opportunity to visit one of the sites and see the problem as it really is]," he said. "As far as the purchase of the Soviet missiles is concerned, this has been concluded some while ago and I doubt it will change."

Speaking with reporters, Mr. Weinberger blamed a congressional ban on the mobile missile sale for Amman's decision to turn to the Soviet Union.

Foreign officials here said they wanted to sell Jordan Hawk missiles that could be trucked from place to place, but the same officials admitted that they would be hard-pressed to match the financial deal being offered King Hussein by the Soviet Union.

\$200-Million Package
Jordan has agreed to buy 20 batteries of mobile missiles, each of which contains 16 surface-to-air missiles, for \$200 million. The king has said that Iraq has agreed to pay for the equipment. The United States would have to charge three to four times as much for the same number of Hawk missiles, defense officials said.

Diplomats here said Iraq was willing to finance the deal in appreciation for the Jordanian support of Iraq in its war with Iran.

Several U.S. defense officials said Mr. Weinberger felt that the missile deal with the Soviet Union was not far enough along to prevent discussing a U.S. alternative, but others said it was almost certainly too late to stop the deal even if Washington would now offer to sell the Hawks.

Moreover, there is no guarantee that Mr. Weinberger could persuade Congress to go along with a deal for the Hawk missiles even if the king agreed to buy them.

After Washington refused to supply an air defense system to Jordan following the 1973 Middle East war, the Ford administration in 1975 agreed to sell Jordan the mobile Hawks.

But Congress, pressed by Israel, balked. Rather than see the whole deal fall through, Ford administration officials notified Congress on Sept. 17, 1975, that Jordan would get only "defensive and nonmobile anti-aircraft weapons." The Jordanian government termed the restriction "insulting."

Despite that history, Mr. Weinberger said Wednesday night that "it may be that we will want to consider discussing this with the Congress," meaning the ban on mobile Hawk missiles.

Congress Already Talking of New Budget Plan

Members of Both Parties Find Deficit Under Reagan Proposal Unacceptable

By Hedrick Smith
New York Times Service

WASHINGTON — President Reagan has so far offered at criticism of his own budget package as "immoderate" partisan politics, but his Republican allies in Congress are so dismayed by the budget outlook that they are already talking of seeking a bipartisan compromise that would modify the Reagan program without repudiating it.

For the moment, partisan volleys are dominating the headlines. As if in preview of next fall's congressional elections, House Speaker Thomas P. O'Neill Jr., Democrat of Massachusetts, has accused Mr. Reagan of presenting "a Beverly Hills budget" and Robert C. Byrd, the Senate Democratic leader, has urged the president to withdraw it. The president, in a fighting mood as he traveled through the Middle West, called on the Democrats to "put up or shut up," and the White House quickly spurned a Democratic alternative.

But behind the partisan rhetoric there is a growing feeling among some Republican and Democratic leaders that the economy is in such

peril and the president's budget has so little chance of being approved or of solving the nation's economic problems that some more attractive and credible alternative must be developed to rescue the economy.

It is rare for a presidential budget to run into such swift and broad

NEWS ANALYSIS

opposition as the Reagan budget has in the brief time since it was formally submitted.

(President Reagan said Thursday he ruled out any military spending cuts in the budget, United Press International reported. But he said he had seen hints from Capitol Hill that "even further cuts" could be made in other spending, "and I think the Congress should have the running room to be able to talk about those." He made the remarks after meeting with Sen. Paul Laxalt of Nevada, the Senate Republican leader, Howard H. Baker Jr. of Tennessee, and House Republican leader, Bob Michel of Illinois.)

In private meetings this week, ranking Republicans have discounted the administration's estimates that the Reagan-proposed deficits will stay under \$100 billion a year. They regard the estimated efficiency savings and government earnings from oil leasing as unrealistic and they see little chance for passage of some of the requested cuts in domestic programs and the proposed new tax revenue plans.

If Congress tries to follow the Reagan formula, said a Republican close to the leadership, many Republicans assume it is more realistic to expect the deficit to exceed \$100 billion this year, reach \$120 billion in 1983 and go higher in 1984, and they say they believe those developments will block economic recovery and keep interest rates high.

Testimony Wednesday by Paul Volcker, chairman of the Federal Reserve Board, renewing his criticism of the large Reagan deficits, and a study by the Congressional Budget Office, which said the deficits would be a "major obstacle" to economic recovery, served to sharpen congressional uneasiness.

So far, the Republican leadership has been reluctant to come

out publicly with a proposal challenging the president's program. But by privately encouraging a Democratic proposal by Sen. Ernest F. Hollings of South Carolina and publicly calling it "intriguing," Sen. Baker and other Republicans were clearly signaling their interest in some bipartisan compromise.

"It's important for the Democrats to be out front at first," said a Republican aide. "If the Republicans came out with it first, it could look like a repudiation of the president. We don't anticipate that Democrats will flock to Hollings' proposal. But it helps keep alive the idea of an alternative."

Conservative Republicans like Sen. William L. Armstrong of Colorado said the Hollings plan is appealing because it calls for an across-the-board freeze on spending increases, including military spending, thus emphasizing that the budget crisis requires general sacrifices. "It's a proposal that goes to the heart of the problem," Sen. Armstrong said.

But other Republicans, like Sen. Baker, are known to object that

(Continued on Page 2, Col. 6)

Deng's Leading Role Reaffirmed by China

By Michael Parks
Los Angeles Times Service

PEKING — The Chinese government sought Thursday to dampen the mounting speculation over the monthlong absence of Deng Xiaoping, the powerful deputy chairman of the Communist Party, with a formal declaration that Mr. Deng still holds the posts from which he dominates the political scene here.

Amid suggestions that Mr. Deng, 77, may be seriously ill or even have been removed from power, a Foreign Ministry spokesman affirmed in a prepared statement that Mr. Deng is still deputy chairman of the party's policymaking Central Committee and chairman of the commission that controls the military.

The statement was meant to clarify the comment Saturday of Deputy Premier Wan Li, who said that Mr. Deng, although in excellent health, had "withdrawn to the second line" of leadership, turning over day-to-day administration to younger men and concentrating on major policy decisions.

"What Deputy Premier Wan Li said reflects the actual situation over recent years, and there is nothing new," the statement declared. It noted that the party had begun to move younger men into the top leadership to February, 1980, and that Mr. Deng and other elderly deputy premiers had yielded their posts to September, 1980, while retaining their party functions.

But there was no official word on the whereabouts of Mr. Deng, who last appeared in public Jan. 12 when he met with army political commissars. Mr. Wan said Mr. Deng had been resting in southern China for three weeks and the Communist newspaper Wen Wei Po, published in Hong Kong, said Thursday that he had returned to the capital.

The rumors about his health and his political position continue to multiply, however, and the various statements, assurances and clarifications of officials to the past week have only fed speculation.

But the official assurances have failed to answer the proliferating questions of diplomats in Peking. The resulting uncertainty is beginning, in the opinion of some ambassadors, to undermine China's international position. "China's position in the world today rests very much on Deng Xiaoping and his policies, and if he is gone or simply going, what do we have?" a European ambassador remarked Thursday. "China's inability to reassure us is to itself worrying."

In a capital where every move of the leadership is closely analyzed, there were other unexplained oddities: In a long list of party leaders signing a message of condolence Thursday on the death of a veteran party member, the only names missing were those of Hua Guofeng, who was demoted from his party chairmanship last year, and Mr. Deng.

INSIDE

German Concern

The head of West Germany's central bank indicates apprehension that U.S. deficit presentation is a "fateful dilemma" that could jeopardize world economic recovery. Page 7.

TOMORROW

Pollock in Paris

A quarter of a century after Jackson Pollock's death in an automobile accident, the Pompidou Center in Paris has mounted a major exhibition of the American artist's work. A review in Weekend.

Bonn Is Enforcing Travel Limits on Soviet Diplomats

New York Times Service

BONN — West Germany has begun to enforce existing travel limitations involving Soviet diplomats here, informed sources said Thursday.

The measure was depicted as an effort by the government to initiate restrictions recommended by NATO to protest the continuation of martial law in Poland. The sources said that other steps would likely be approved by the Cabinet in a meeting Wednesday. Restrictions on the movements of Soviet diplomats have been in effect for years, but were largely unenforced.



CLASH IN BRUSSELS — Mounted police charged during a clash Thursday in Brussels with 500 striking workers from the Cockerill-Sambre steel company after they tried to force their way into the EEC Commission building. They were

among 5,000 steelworkers who converged on the commission to demand immediate approval of the company's modernization program. The Belgian government has approved the program, which is designed to make the company viable by 1985.

French Banks Approve Soviet Pipeline Loan

By Paul Lewis

New York Times Service

PARIS — A group of French banks has announced an agreement to lend the Soviet Union another \$140 million to help finance purchases of French equipment for a proposed natural gas pipeline from Siberia into Western Europe.

As a result of the loan, announced Wednesday, the Soviet Union will be able to finance the entire hard-currency cost of the French-made equipment it plans to buy for the pipeline, roughly estimated at \$1 billion. It thus saves itself from having to put up any of its own cash at a time when it is believed to be desperately short of foreign exchange.

The French banks that agreed to the loan, which will cover 15 percent of the cost of the equipment, are the state-owned Crédit Lyonnais and two privately owned banks that are soon to be nationalized, Banque de Paris et des Pays Bas and Banque de l'Union Européenne.

However, the credit, which is on market terms and has no government guarantee, will be more expensive for the Soviet Union than an earlier loan arranged by the same banks to cover the other 85 percent of the cost of the equipment. This loan, which is guaranteed by the government, carries a subsidized interest rate of 7.8 percent.

In December, a consortium of West German banks, led by Deutsche Bank, refused a Soviet request for credit to cover the entire hard-currency costs pipeline equipment produced in West Germany. Instead, they decided to stick to their original offer of lending only 85 percent of the cost.

Financial sources said Wednesday night that the West German bankers were furious about the French decision to lend the entire foreign-currency cost of French-made pipeline equipment. They claimed it broke a gentlemen's agreement between them not to go over 85 percent.

U.S. officials also reacted angrily to the French move, saying that it had embarrassed the West German banks and appeared to violate the spirit of a NATO agreement last month to suspend economic cooperation with Moscow until martial law was lifted in Poland.

The pipeline would enable the Soviet Union to sell Europe 40 billion cubic meters of Siberian natural gas per year by the end of this decade, eventually earning \$3 billion to \$6 billion annually in foreign exchange.

Dependency Feared

As a result, West Germany, Italy and France would be getting between 25 and 32 percent of their natural gas supplies from the Soviet Union.

The Reagan administration has expressed concern that the project could make Western Europe dependent on Soviet natural gas and vulnerable to threats by Moscow to reduce supplies. The United States has also argued that by easing the Soviet Union's foreign currency shortage, the natural gas deal would help finance a military buildup.

In an effort to halt or delay the pipeline's construction, the Reagan administration has embargoed the sale of General Electric components for compressors that would be used to pump the gas, and it has asked other governments to prevent their companies from trying to replace these parts.



Lydia Vashchenko, right, leaving Moscow's Botkin Hospital, where the Pentecostalists ended her monthlong hunger strike. She is accompanied by her brother, Sasha, and her sister, Vera.

Pentecostalists Hunger Striker Leaves Moscow Hospital

MOSCOW — A Soviet woman who staged a monthlong hunger strike to press for the right to emigrate was reunited Thursday with her family and friends in the U.S. Embassy in Moscow.

Lydia Vashchenko, 31, who had been released earlier from hospital, said that she was planning to return Friday to Chernogorsk, her home town in Siberia, and warned that she would again go on a hunger strike if she did not receive an exit visa.

In June, 1978, she was one of seven Pentecostalists who ran past Soviet police guards into the U.S. Embassy and demand-

ed the right to emigrate to the West. The members of the fundamentalist Christian sect refused to leave the mission and were given a single room in the basement.

Miss Vashchenko and her mother began a hunger strike Dec. 28 to draw attention to their plight. On Jan. 30, the embassy doctor sent Miss Vashchenko to Moscow's Botkin Hospital after deciding that her life was in danger.

She gave up her fast as soon as she was admitted, saying that she had been threatened with force-feeding. But Thursday she reported that she had been treat-

ed well in the hospital and said that the doctors had been kind.

Western diplomats said that the favorable treatment she had received at the hospital may indicate that the Soviet authorities are ready to grant visas to the entire group, thereby ending the embarrassing publicity surrounding their stay in the embassy.

In the past, Moscow has refused to give the Pentecostalists exit papers, saying that they should first return to their home town and apply there. The group refused, fearing that they would be arrested.

Polish Aide Welcomes Papal Visit, Says Walesa Will Be Freed Soon

United Press International

MADRID — Deputy Foreign Minister Jozef Wiegaz of Poland said Thursday that Pope John Paul II is free to go to Poland at any time, Mr. Wiegaz said, but as a head of state the visits must be planned ahead of time.

Mr. Wiegaz also said that most restrictions under martial law, which was imposed Dec. 13, would be removed by the end of the month.

He added that Mr. Walesa, in detention since the military takeover, will be released "in the near future." As of last week, Mr. Wiegaz said, "about 4,000 people

were still interned [but] between 20 and 30 persons are being released each day."

The conference itself was paralyzed Thursday, its third day, over the Polish issue. No formal meetings were held and officials predicted that the conference would be adjourned early, with resumption set for October or November.

A formal plenary meeting was scheduled for Friday to hear remaining opening statements from delegates who were not permitted to speak Tuesday and Wednesday.

Mr. Wiegaz created a furor on the opening day of the conference Tuesday by using a procedural maneuver to cut short the list of speakers who were expected to criticize the Polish and Soviet governments for the imposition of martial law.

Meanwhile, the Polish Foreign Ministry announced Thursday that restrictions prohibiting foreign diplomats from traveling in Poland outside of Warsaw had been lifted. The order restores travel rights withdrawn when martial law was declared.

Display of Power

WARSAW (Reuters) — A column of more than 100 police and military vehicles, including armored troop carriers and water cannon, sped through Warsaw at rush hour Thursday evening in a show of strength marking two months of martial law.

The show of might in Warsaw came a few hours after the Polish prime minister, Archbishop Jozef Glemp, returned from a week's visit to Rome for talks with the pope. But political analysts said they doubted that there was any direct connection between the two events.

Archbishop Glemp gave no details of his Vatican talks.

Debt Payment Approved

WASHINGTON (UPI) — Congress has rejected an attempt to stop the Commodity Credit Corp. from paying Poland's debts to U.S. banks for grain purchases.

The Senate Wednesday rejected, 55 to 39, a motion to keep the corporation from using funds for repayments unless U.S. banks formally declared Poland to be in default.

Poles Turned Away

WARSAW (AP) — The police turned away about 150 Poles who went to the U.S. Embassy Wednesday night to see the U.S. television program "Let Poland Be Poland," embassy sources said.

The Poles apparently heard about the showing of the film after a notice was posted on an embassy bulletin board inside the building, the sources said.

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Army Mutiny In Somalia Is Reported

Sources Say Loyalists Crushed Dissidents

By Bernd Debusmann

NAIROBI — The government of Somali President Mohammed Siad Barre has crushed a major army mutiny in northern Somalia after several days of fighting, according to diplomatic sources and Somali dissidents.

They said that elements of Somalia's Eighth Army mutinied last month after the senior officers accused of collaboration with the Somali Salvation Front, an anti-government guerrilla group backed by Ethiopia.

Western diplomatic sources, quoting fragmentary reports from the region, confirmed that fighting had taken place between mutineers and troops loyal to the government but had no details concerning the number of officers executed.

The sources said that the clashes pointed out the fragility of rule by a president who had increasingly relied on clan and family ties to maintain his grip on the institutions of power — including the 65,000-man armed forces — in Somalia.

Switched Support

Gen. Siad Barre took power in a military coup in 1969 and was an ally of the Soviet Union until 1977, when the Kremlin switched its support to Ethiopia during a war between the two countries.

The president then turned to the United States, and in August, 1980, Somalia signed an agreement granting U.S. forces access to air and naval facilities on the Gulf of Aden in return for \$45 million in military sales credits.

Somali dissidents said that the mutiny had involved dissident elements in seven garrisons in northern Somalia, Burao, Hargeisa, Galdajale, Kalambeysa, Wajale, Geddalle and Aliyadbad, and followed a Jan. 18 guerrilla attack on the town of Bohotleh, on the border with Ethiopia.

According to this account, guerrillas attacked army installations and held the town for 12 hours after heavy fighting in which about 20 soldiers and policemen were killed.

After the attack on Bohotleh, the dissident sources said, 11 officers were executed without trial for alleged collaboration with the guerrillas. Those shot by firing squad included Col. Abdullahi Said, the commander of the Eighth Army's Togdher region, which includes the port of Berbera, the sources said.

Compromise On Budget

(Continued from Page 1)

The Hollings proposal would undo too much of the basic Reagan tax cut package passed last year by forgoing the 10 percent cut in income tax rates scheduled for 1982 and by reducing the 1983 cut from 10 to 5 percent.

Moreover, they object to an absolute halt to the rise in military spending. Sen. Baker and others have advocated significant reductions in the proposed \$258-billion Reagan military budget for 1983 but contend that "you can slow it down but you can't stop it in one fell swoop," as a Republican put it.

James R. Jones, the Oklahoma Democrat who is chairman of the House Budget Committee, has taken the lead in trying to build first Democratic and then bipartisan support for a more modest package of social cuts and tax increases.

And Republicans like Robert J. Dole of Kansas, the Senate Finance Committee chairman, are talking about some tax increases similar to those mentioned by Rep. Jones, but they are fearful of voter disfavor in an election year.

Time has emerged as a crucial factor in the congressional maneuvering. Republicans like Rep. Barber B. Conable Jr. of New York and Sen. Dole contend that the president could be rescued from a very difficult political and economic situation if the economy were to turn upward in the next two months, before Congress has to vote on major budget resolutions or a new move to raise the national debt ceiling.

On the other side, Democrats like Rep. Jones and Republicans like Sen. Dole are understood to feel that if the economy remains sluggish, pressure on Congress and on the president to revise the basic budget package will become intense and possibly irresistible.

"At that point," conceded Sen. Dole, "we'll be in a box along with the president. We won't be able to just sit here and wring our hands."

WORLD NEWS BRIEFS

Rowland in Bid for Laker Venture

LONDON — Sir Freddie Laker, whose airline collapsed last week, seemed in sight of a dramatic comeback Thursday as Roland (Tiny) Rowland, chief executive of the giant Lorrho conglomerate, announced they were likely to team up in a new venture.

Mr. Rowland said after several hours of talks with Sir Freddie: "It is very likely we will form a partnership. We are working towards that end and our talks are going extremely well." Mr. Rowland said he hoped negotiations would be completed in two days.

The Lorrho conglomerate owns industrial and mining interests in Africa and engineering and finance companies in Britain. It recently acquired the Observer newspaper.

Russians Issue Apology in Portugal

LISBON — Officials at the Soviet Embassy in Lisbon, apparently worried that more Russian diplomats might be expelled, issued a rare public apology Thursday for a recent comment about a Portuguese political figure.

The statement said the embassy had made "appropriate apologies" for a statement it issued during the weekend describing Mario Soares, the Portuguese Socialist opposition leader, as being mentally unbalanced and in need of prolonged treatment.

Mr. Soares had infuriated the embassy by accusing the Kremlin of planning to destabilize the Iberian peninsula in order to prevent Spain's entry into NATO. The Portuguese government expelled two Soviet diplomats last month as part of the Western response to the Polish crisis.

Bangladesh Cabinet Is Dissolved

DACCA, Bangladesh — President Abdus Sattar dissolved his 41-member Cabinet Thursday, saying that the country faced a serious crisis. He said that a smaller Cabinet would be formed Friday.

In a national radio and television broadcast, the president said that people had grown to doubt the integrity, honesty and sincerity of the Cabinet ministers.

The dissolution of the Cabinet, formed Nov. 27, followed a special Cabinet meeting and a meeting between Mr. Sattar and the chiefs of the armed forces.

Court Clears French Nationalizations

PARIS — The Constitutional Council, France's highest legislative court, Thursday approved the Socialist government's bill to nationalize major French banks and industrial groups. The approval of the legislation's constitutionality assured its passage into law.

Prime Minister Pierre Mauroy said that the council had rejected the latest appeal from center-right opposition groups to declare all or part of the bill illegal. The legislation bans five biggest industrial groups, 39 banks and two giant holding companies under state control. This will enlarge public control of the industrial sector from 12 to 17 percent, and state control of banking deposits to around 95 percent.

Mr. Mauroy signed the bill within minutes of hearing the news. It will become law after publication in the official gazette, probably within two days. The council last month rejected a first version of the bill — which was passed by legislators in December — because, it said, compensations provisions for company shareholders were inadequate.

Thais Force Down Vietnamese Plane

The Associated Press

BANGKOK — A Vietnamese military supply aircraft was intercepted Thursday by a Thai fighter-bomber inside Thai territory and was forced to make a crash landing in which one of the plane's passengers was killed, military officials said.

Initial reports added that two of the 12 Vietnamese aboard the Soviet-built AN-26 plane were injured when it crashed into a rice field 30 kilometers (19 miles) from the Cambodian border.

The plane was loaded with weapons, explosives and medical and food supplies apparently destined for Vietnamese troops at a base in Pailin, which is close to the area in western Cambodia in which there has been fighting, according to the reports.

Thatcher's Chances Appear To Grow for Next Election

By R.W. Apple Jr.

New York Times Service

LONDON — Prime Minister Margaret Thatcher's chances of winning the next general election, which were considered almost nonexistent three months ago, appear to be improving.

In a season of subtle but significant changes in the tenor of British politics, Mrs. Thatcher and her resolutely conservative policies no longer seem quite so embattled. This week, a London bookmaker went so far as to install her Conservative Party as a narrow favorite to win the election, which is expected in the spring of 1984.

The most important development has been a slowing of the momentum of the new Social Democratic Party, which burst upon the British political scene just a year ago with tremendous force, and which won its most notable victory late last year when Shirley Williams captured the Conservative seat at Crosby in a by-election.

By its difficulties had been predicted by its own leaders and by independent observers, but they have nonetheless had a big impact on an electorate whose political sentiments are increasingly volatile.

Virtual Dead Heat

A new poll by Market and Opinion Research International, published last Sunday, showed a sudden slump in the popularity of the alliance of the Social Democratic and Liberal parties.

The poll showed the three major political groupings in a virtual dead heat, with the alliance at 34 percent, the Conservatives at 33 percent and Labor at 31 percent. In November, the alliance, with 44 percent, led each of its foes by 17 percent.

"We are paying the penalty for our early success," a Social Democratic leader said, "and we are likely to go through a period of difficulties for some months."

A debate is raging within the party over whether it should take a more radical stand on issues, with Roy Jenkins, the former president of the European Economic Community, favoring a cautious approach, and David Owen, the former foreign minister, urging a sharper policy.

The strains showed this week

when the party's members of Parliament had to vote on the government's controversial employment bill, which will weaken the trade unions. Mr. Jenkins, Mr. Owen, Mrs. Williams and William Rodgers, the joint Social Democratic leaders, all voted in favor of the bill, but five of the 27 Social Democratic MPs voted against it and an unusually large number of the others abstained.

Another problem is the division of parliamentary candidacies between the two parties. The national agreement between the two said that they should divide the seats roughly equally and that each should get the same number of theoretically winnable seats, but that has proved difficult to implement at the local level. Agreement has been reached in only three counties — Essex, Humberside and North Yorkshire — and it appears unlikely that the deadline of March 31 will be met, according to senior negotiators for the Liberals.

2 Key Tests

"The longer this takes," commented a Conservative MP, "the less they look like an idealistic new breed and the more they look like the rest of us selfish, partisan, shopworn old political hacks."

Two key tests lie ahead this spring for the Social Democrats. Sometime in the next six weeks, probably March 18, Mr. Jenkins will try for the second time to win a place in the House of Commons as a Social Democrat. He was narrowly defeated in a by-election at Warrington last year, a defeat that was interpreted as a moral victory because he did much better than expected.

This time, in the Hillhead constituency in Glasgow, he will be expected to win. The Social Democrats also need a good showing in nationwide local elections May 6.

If Mr. Jenkins wins at Hillhead, he will almost certainly be chosen leader of the Social Democrats. The actual method of selecting a leader will be one of the items on the agenda at a Social Democratic constitutional conference this weekend. But it will not be decided until a membership ballot has been taken.

Labor Resolves Problems

While all this has been going on in the new party, Labor, the party with which most of the Social Democrats broke, has made a tentative start at resolving its problems.

Tony Benn, the left-winger who has been harassing the party's leader, Michael Foot, for more than a year, has been silent of late, and the big trade unions have imposed a truce of sorts, which should last at least through the local elections.

The underlying disagreements on such issues as the Common Market, nationalization of industry and disarmament remain, and they will undoubtedly cause trouble when the time comes to draft an election manifesto, or platform.

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While all this has been going on in the new party, Labor, the party with which most of the Social Democrats broke, has made a tentative start at resolving its problems. Tony Benn, the left-winger who has been harassing the party's leader, Michael Foot, for more than a year, has been silent of late, and the big trade unions have imposed a truce of sorts, which should last at least through the local elections. The underlying disagreements on such issues as the Common Market, nationalization of industry and disarmament remain, and they will undoubtedly cause trouble when the time comes to draft an election manifesto, or platform.

Army Hands Over Suspects in Killing Of Nuns in Salvador

By Christopher Dickey

WASHINGTON POST SERVICE
ZACATECOLUCA, El Salvador — Six former members of the Salvadoran National Guard have been turned over to civilian authorities here as suspects in the 1980 slayings of four American churchwomen.

The heavily guarded suspects were taken Wednesday by helicopter from the National Guard garrison in San Salvador to this small provincial capital, near the scene of the deaths. A special team of prosecutors arrived later.

This long-awaited move in the case is roughly analogous to the arraignment process in U.S. courts. Under Salvadoran law, the civil court judge now has 72 hours to evaluate the evidence to decide if it is sufficient to pursue the case further against any or all of the suspects.

Although the judge could ask for still further investigation in the 14-month-old case before determining whether a trial should be held, informed officials say that such evidence exists.

Volatile Issue

The question of who sexually abused and killed three American nuns and an American lay worker the night of Dec. 2, 1980, has become one of the most volatile of many issues surrounding U.S. support for the military-civilian junta fighting a leftist insurgency here. Relations of the victims and critics of U.S. policy have charged the Salvadoran authorities with foot-dragging.

The case initially caused the United States to cut off all economic and military aid to the ruling junta, which has been frequently accused of extensive human rights abuses. The Carter administration resumed aid early last year after a guerrilla offensive; last month the Reagan administration had to certify to Congress that there was progress in the investigation.

Judge Bernardo Randa Murcia, who was assigned to the case six days after the unexplained res-

ignation of his predecessor, appeared Wednesday to be a virtual bystander as the prosecutors from the capital dictated every detail of the presentation of evidence in the deaths of Sisters Dorothy Kazel, Ita Ford and Maura Clarke and lay worker Jean Donovan.

Administrative Detention

Two suspects were arrested only this year, according to officials close to the investigation. The other four have been under administrative detention by the National Guard since April. According to a formal statement read to the court, they were dismissed from the National Guard yesterday morning, a prerequisite to turning them over to the civilian court, and immediately put under arrest.

Those presented to the court Wednesday included Luis Colindres Aleman, Francisco Orlando Contreras, José Moreno Canjura and Daniel Canales Ramirez, all of whose names have been reported repeatedly over the last few months. The new suspects presented Wednesday are Carlos Contreras Palacios and Salvador Rivera Franco, both of whom were said by investigators to have made official confessions and were expected to repeat them formally in front of the judge.

Mr. Contreras Palacios, according to an official, is a newly devout Christian alleged to have confessed to having participated in the actual murder of the churchwomen.

Mr. Rivera Franco, the official said, was a member of the National Guard patrol that stopped the nuns' van near the El Salvador international airport that night.

Material Evidence

A statement by the National Guard commander, Gen. Eugenio Vides Casanova, also mentioned a "witness" named Julio Cesar Valle, a former guardsman, who "could not be found." Mr. Valle was identified by officials as a guardsman who is alleged to have picked up the killers and driven them back to the airport after they had burned the nuns' van.



Carlos Contreras Palacios, one of the suspects in the murder of four American churchwomen, waits under guard in an El Salvador courthouse after appearing before an investigating magistrate.

Reporters saw officials formally registering and reporting three bits of material evidence that were also mentioned in Gen. Vides Casanova's statement: a tire and a jack believed to be from the nuns' van, and a burgundy-colored skirt with a label reading "Exclusivas M. Gabriela" from Guatemala.

Officials familiar with the investigation said that the skirt was sold to a cleaning woman at the suspects' barracks and may have belonged to one of the victims.

It is not clear why a shell casing from a military 7.62mm bullet that was found at the scene and that U.S. ballistics tests established as having been fired in a rifle issued to Moreno Canjura was not presented here Wednesday.

Under the Salvadoran legal system, the suspects could not be

brought here Wednesday until they had all been formally dismissed from the National Guard. A soldier cannot be tried in a civilian court, but a military court cannot try anyone for murder.

If the judge feels satisfied that there is enough evidence to convict, he becomes, in a sense, a prosecutor and may then move ahead to the trial stages of the case, over which he would continue to preside.

Cease-Fire Is Urged

WASHINGTON (AP) — Four Democrats have introduced a resolution calling for a cease-fire and negotiated settlement to the El Salvador civil war, an approach that the administration has previously rejected.

The Democrats, Sens. Christopher Dodd of Connecticut and Paul Tsongas of Massachusetts and Reps. Michael Barnes of Maryland and Stephen Solarz of New York, said that negotiations were the only way to end the war and protect U.S. interests.

In another development, Speaker Thomas P. O'Neill is sending a House of Representatives fact-finding mission to El Salvador to get a "first-hand" look at the situation there, his spokesman said Wednesday.

The three-member team, to leave Thursday and spend several days in El Salvador, will consist of Rep. John Murtha, Democrat of Pennsylvania, an Appropriations Committee aide and Kirk O'Donnell, the speaker's general counsel, the spokesman said.

Furloughs Begin in U.S. For Federal Employees

By Bryce Nelson

Los Angeles Times Service

WASHINGTON — Thousands of U.S. government workers are being notified that they must take off one day every two weeks without pay to help cut government costs under the Reagan administration's trimmed-down budget.

Affected so far by the compulsory furloughs, federal officials said Wednesday, are 23,000 employees in the Federal Aviation Administration, 5,900 in the Census Bureau, 3,000 in the Office of Personnel Management and 130 headquarters employees in the U.S. Mint. They will lose from five to 12 work days between April 1 and Sept. 30.

Among employees not scheduled for furloughing are workers in the Department of Defense and the Postal Service.

The mandatory furloughs are the result of the administration's cuts in government outlays. With the notable exception of the Department of Defense, virtually every federal agency has had its budget slashed below the amount originally recommended for the current fiscal year by President Jimmy Carter.

'Money Pinch'

John Scholzen, spokesman for the Office of Personnel Management, successor to the old Civil Service Commission, emphasized that the no-pay furloughs were due "purely to the money pinch."

Initial reaction from unions representing federal employees was cautious.

"If it's going to be a choice between layoffs and furloughs, of course we're going to support the furloughs," said Sandra Arnold of the National Federation of Federal Employees. "It's the lesser of two evils."

But Patrick Korten of the Office of Personnel Management said the mandatory furloughs — which have been approved by the White House — were not an alternative to the administration's long-term goal of reducing the number of government workers.

More Layoffs Planned

He said the administration still plans to reduce the 2.1-million federal work force, by 75,000 employees in fiscal years 1982 through

1984. President Reagan's fiscal 1983 budget, which was submitted to Congress this week, calls for 75,000 more jobs to be cut in fiscal years 1985 through 1987.

The administration dismissed more than 7,000 federal workers last year as part of its economy drive.

The groundwork for the furloughs was laid in December, when the Office of Personnel Management issued a directive telling federal department heads to seek out workers who might volunteer to stay home several days without pay to help cut costs.

If those efforts were unsuccessful, the agency chiefs were told, then mandatory furloughs should be considered to cut down on the number of employees who would have to be dismissed to meet the administration's budget-trimming goals.

Action Believed Unprecedented

Mr. Scholzen of the Office of Personnel Management expressed concern about the effect of the furloughs. "In the government, if you don't get paid, you don't work," he said. "The question is, under the furloughs will the work of the government get done?"

Mr. Scholzen also said that furloughing in several agencies was believed to be unprecedented in the federal government. "There has been nothing like this in recent memory," he said.

Edwin L. Dale, spokesman for the Office of Management and Budget said the unpaid days off were the result of administration and congressional actions that trimmed some agency budgets by as much as 16 percent.

Beginning in April, about half of the Federal Aviation Administration's 45,000 employees will be furloughed for a total of 12 working days during the rest of this fiscal year, the agency's administrator, J. Lynn Helms, said Wednesday at a meeting of regional agency administrators in Washington.

The agency said 10,000 air traffic controllers and other vital employees will not be affected.

The mandatory furlough policy began in the U.S. Mint headquarters in January and is scheduled for other affected departments in March and April.

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U.S. Drops Plan to Harden MX Missile Silos

Pentagon Officials Cite Fund Restrictions, Administration Loss of Interest

By Michael Getler

WASHINGTON POST SERVICE

WASHINGTON — The Reagan administration is discarding the plan it announced in October to harden the underground silos in which it will put the first 40 new MX intercontinental ballistic missiles, according to civilian and military officials at the Pentagon.

The administration said at the time that it could harden the silos to protect the missiles from enemy nuclear attack during the next few years, while it decides on a permanent basing scheme to keep them invulnerable to attack.

White House Aide Resigns After Disclosure of Loans

By Edward T. Pound

New York Times Service

WASHINGTON — Joseph W. Canzari, a White House official, has resigned after a disclosure that he had borrowed \$400,000 on favorable terms from Laurence S. Rockefeller and a California developer to purchase a town house here.

Mr. Canzari, who was a deputy assistant to President Reagan, resigned in a letter to the president Wednesday, saying that his action was "in the best interest of you and your administration."

He had borrowed \$400,000 from Mr. Rockefeller and Donald M. Koll, a real estate developer in Newport Beach, Calif., to finance the purchase of the \$380,000 town house in Georgetown, a fashionable section of Washington.

The Reagan aide has also acknowledged that he submitted expense claims to the government and to the Republican National Committee for the same trips. He said that last week, after the expense account irregularity was pointed out to him by the White House counsel's office, he reimbursed the national committee for \$800.

Concern for Reagan

"I firmly believe I did nothing wrong, improper or incorrect." But he said that he did not want to embarrass Mr. Reagan and that he was also concerned lest his own effectiveness had been impaired.

Mr. Canzari insisted that he had not resigned because of news reports about the loans. But he added, "I've seen this process before. People drag these things out." He said that he did not want the president to be "bruised or blackened as a result of anything I have done."

The president had criticized President Jimmy Carter during the 1980 presidential election campaign for not having a feasible plan to protect the new MX, thereby creating what he termed a "window of vulnerability" in U.S. defenses.

Abandonment of the hardening idea is the second important departure in four months from the administration's original \$19-billion-plus plan for the interim deployment of the MX, a huge new missile that will carry 10 nuclear bombs and is meant to be the backbone of the U.S. nuclear re-

talistic force for the 1990s and beyond.

The administration indicated in October that it intended to put the first 40 MXs in former Titan-2 silos, which meant there would be no reduction of U.S. defenses, since the older Titans were scheduled to be withdrawn anyway.

On Dec. 31, however, the Pentagon announced that it had decided instead to put the first MXs in some of the silos now occupied by the 1,000 land-based Minuteman missiles. These are the silos that officials have now decided will not be hardened.

A senior specialist said that, with the MXs inside, these Minuteman silos may be even less resistant to enemy attack than they are now. This is because the MX is a lot bigger than the Minuteman and there will be less "rattle-space," or room to absorb shock, in these silos with the MXs in them.

From a political standpoint, the hardening and Titan aspects of the original plan were key elements, in that they made the president's controversial decision on MX seem somewhat more logical to Congress and the public.

There is considerable irony surrounding the changes in the interim MX basing plan and the overall status of the MX project now.

Congress Skeptical

The hardening plan was dropped in part because Congress proved skeptical and put restrictions on the use of money for it. But civilian and military officials acknowledge that there has also been a loss of interest within the administration in the idea.

Specialists point out that there were many sound military reasons to shift from Titan to Minuteman silos, that it is technically questionable whether silos could in fact be hardened effectively, and that this would be quite expensive. At the time the Reagan plan was announced, Harold Brown, the defense secretary under Mr. Carter and a technical expert, described the hardening idea as "whistling in the dark."

Yet, the specialists who thus approve of the changes in the original plan also acknowledge privately that these shifts are contributing to a general problem of credibility and confidence that the missile project continues to have in Congress.

The other irony is that, by all Pentagon and Air Force accounts, the development of the missile itself is coming along "smashing well," as an officer put it. The rocket engines reportedly have been fired successfully several times and the highly advanced en-

gine control and guidance system seem amenable to mass production. "It's a highly successful development program," an official said, "surprisingly trouble-free, on schedule, on cost and with no surprises" so far.

But the MX specialists still shrug when asked if it is any more clear now than it was a year ago how the full 100-missile force will ultimately be based.

The MX missiles are slated to begin coming off the production line in mid-1986 and officials say that all 40 of the first batch should be installed within a year. Officially, the Pentagon has until July, 1983, to figure out a permanent solution and tell Congress about it.

Increase in Warheads Sought

WASHINGTON (WP) — The Reagan administration wants to increase by 100 the number of nuclear warheads it can drop on the Soviet Union by deploying an additional 50 Minuteman-3 ICBMs next year, placing them in silos now occupied by older Minuteman-2 missiles.

Each Minuteman-3 has three individually targetable warheads, each with 175 kilotons of explosive power, a total of 525 kilotons. The Minuteman-2 has only one warhead, although its one megaton yield is almost twice as great as the total for the three Minuteman-3 warheads.

In a statement released Tuesday, the Joint Chiefs of Staff said that the planned Minuteman-3 deployments would "partially offset" the phasing out of 52 aging Titan-2 ICBMs, which is scheduled to begin this year.

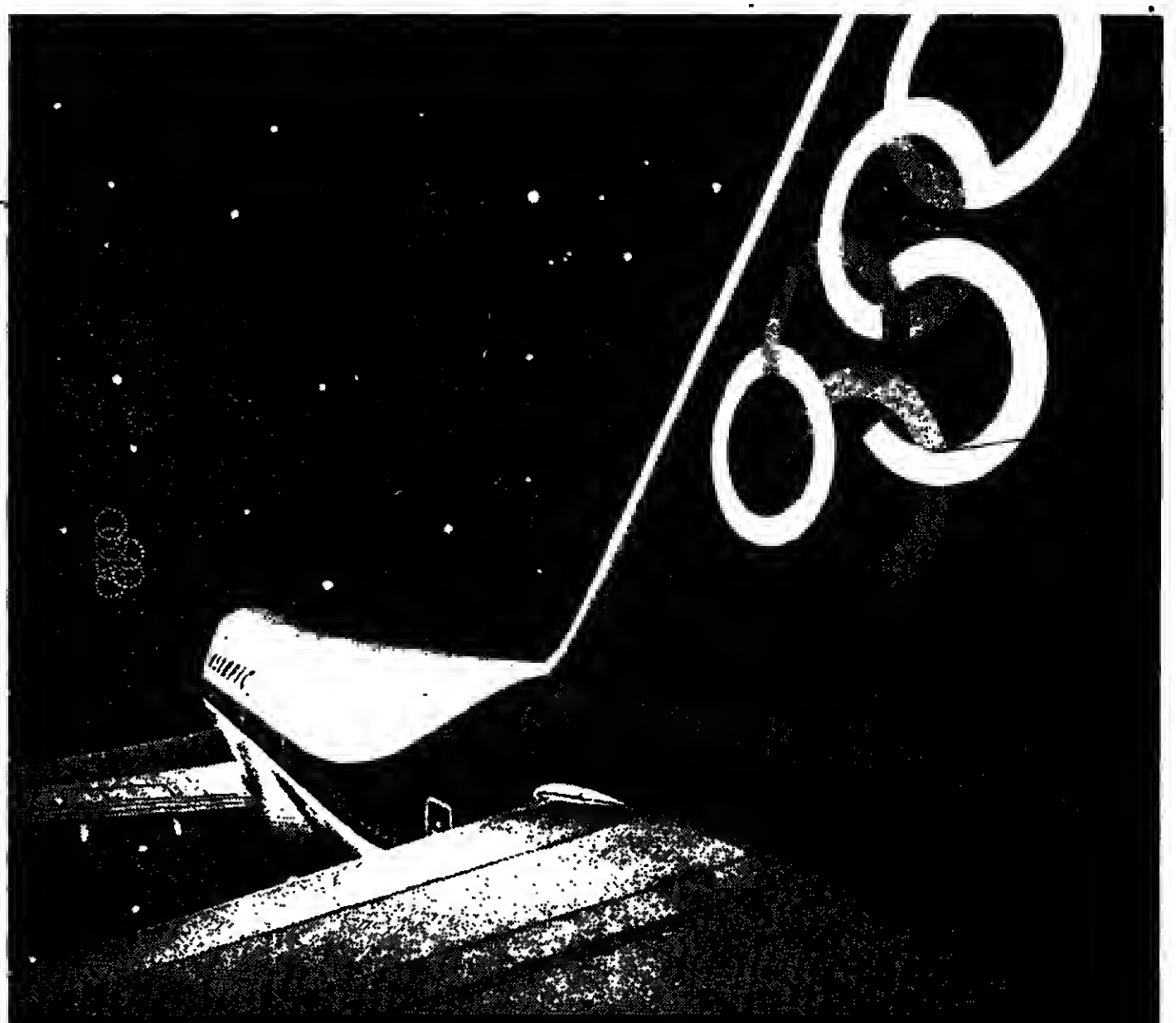
The Titans, largest and oldest of the U.S. ICBMs, carry enormous 9-megaton warheads. Their toxic liquid fuel, however, has made them too dangerous and too expensive to keep operational until 1986, when the larger, 10-warhead MX ICBM is to become available.

Spain Sets Feb. 19 Trial In Army Coup Attempt

The Associated Press

MADRID — The Spanish Army said Thursday that it will put three generals, 29 other officers and a civilian on trial Feb. 19 for charges of trying to overthrow the civilian government last Feb. 23.

The coup attempt began when military men stormed Parliament and held members of the lower house hostage at gunpoint. Sixty-nine witnesses, including 20 generals, 29 other officers and nine civilians are scheduled to testify.



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On the United Nations

The symptoms are unmistakable: After a year at the United Nations, the U.S. delegate feels depressed and frustrated, sometimes sees enemies everywhere, and doubts the fidelity of friends. The afflicted have included Adlai Stevenson and Daniel Patrick Moynihan. Now Jeane Kirkpatrick complains. Call it "the UN blues." Like black lung and coal mining, the disease goes with the job.

To Americans eager to engage the globe, the United Nations is a frustrating place. Too many bit players underfoot, and the smaller their country the longer their speeches. Maddeningly, the speakers often don't mean what they say. They blast you, for the folks back home, then offer to have a drink.

Mrs. Kirkpatrick complains to anyone who will listen. And she has half a point when she speaks the hypocrisy of those who gang up on Israel—as in the unconscionably one-sided vote of last week—while passing over butchery in Cambodia. What mars that particular complaint is her own vote to keep the P.O. Pot regime seated. Surely, everyone knows that Americans don't really mean what they say.

Open discussion and UN voting substitute a weary theater for diplomacy. And its worship of nationalism severely limits its value as peacemaker. The theatrics can help in slowing down the tempo of a crisis or in

feigning attention to the insoluble. But most important conflicts are dealt with elsewhere.

Still, where better to dump the impossible? Cyprus, for example, or the Israeli-Arab conflict in most years. To the world's poor, the rich United States is an inviting target, too glibly reviled. Yet that very fact can add to American propaganda victories in the UN, like the Security Council's unanimous condemnation of the seizure of Tehran hostages, and the General Assembly's censure of the Soviet invasion of Afghanistan. Even in Mrs. Kirkpatrick's time, the UN has worked with America in the matter of Namibia.

Mrs. Kirkpatrick remarks that the UN is a fact to be accepted, like death and taxes. Faults and all, it is better than that. What other institution would plunge into the deep legal waters of the Law of the Sea?

For a decade, four U.S. administrations worked to write a treaty to define territorial waters and navigational rights and provide a way for sharing seabed riches. At first President Reagan saw only giveaways in the draft, but now he grudgingly finds merit in much of it. Such adjustments not only sharpen U.S. policy but help to keep friends and influence adversaries. If every year's palaver produced one good idea and suffocated a dozen of the bad, boredom should be tolerable.

THE NEW YORK TIMES

10,000 Miskito Indians

Reports from Nicaragua describe an apparent violation of human rights of breathtaking dimensions. Officials of the leftist Sandinista regime have acknowledged that in recent weeks Nicaraguan troops removed from their villages some 10,000 Miskito Indians, from among a small community of about 100,000 who have long lived in relative poverty and isolation by Nicaragua's remote Atlantic coast. A police official assured that the villagers cooperated in their own removal and there were no injuries, although "more than 40" prisoners are being held. Travelers, journalists and other international observers were barred from the area.

What is happening? It seems that the Miskitos, who have traditionally resisted central authority, reacted to the military presence that the Sandinistas imposed after taking power in 1979, and to Cuban soldiers and civilians the Sandinistas brought with them. The Sandinistas, who say they have fielded "no more than 2,000 troops" in the area, have linked the Miskitos to some of the late dictator Anastasio Somoza's National Guardsmen now sitting in nearby Honduras awaiting the counterrevolution. Moravian clergymen are accused of "preaching a primi-

tive brand of anti-Communism." This is the context in which the regime has justified mass evictions: to protect loyal Indians and to thwart creation of a "theater of operations of counterrevolutionary actions."

Much still has to be learned about the way the Sandinistas and the Cubans are treating this vulnerable Indian community. What is known, however, buttresses suspicions of a grievous calamity. Is it possible to believe that 20 whole villages cooperated to the man with soldiers trucking them away from their tribal homes? That only they were caught up in the sweep? That there were no injuries? That there is no continuing resistance?

In the United States and elsewhere, too many people are prepared to believe the worst about the center-right El Salvador junta to even as they accept at face value the leftist Sandinistas' claim to a kind of traditional Marxist Robin Hood mantle. It is useful to keep in mind that what the United States is trying to do in El Salvador is to prevent a concentration of power by precisely the sort of self-appointed elite ruling in Nicaragua. Anyone who needs to be reminded why has only to consult the fate of the Miskitos.

THE WASHINGTON POST

Congress Asked for It

The Reagan administration has put Congress in the uncomfortable position of having to vote for another round of harsh budget cuts and, even so, being left with an enormous budget deficit next year. There will be much hand-wringing and haggling as Congress tries to find a more palatable way to satisfy the electorate's desire for a balanced federal budget. What are the choices? Practically none, within the framework set by the administration's insistence on further cuts in taxes and increases in defense spending.

To understand the dilemma that Congress now faces, you need only look at what you could afford to buy if you were trying to make the government live within its means. Next year the administration predicts that the government will collect about \$666 billion in taxes and other revenues. That is an optimistic number—it assumes strong economic growth and also that Congress will enact several billion dollars in tax "enhancements" that it almost surely won't; but it will do to start. That sounds like a lot of money, but 90 percent of it is needed just for defense, interest on the debt, Social Security and other pension obligations and for scaled-back versions of Medicaid and Medicare.

That leaves about \$65 billion to play around with—except that the government has some other inescapable obligations. Unemployment insurance, for example, has its own state-raised trust fund that is already counted on the revenue side, so it must be paid. And even if Congress buys the ad-

ministration's cuts in veterans' programs, these will still cost over \$24 billion. Then you might want to keep the FBI and of course the courts functioning, the White House, the IRS, the OMB and other book-keeping operations, and to conduct foreign affairs. And it would be nice...

Wait a minute. You just ran out of money. That's it. That is all a balanced budget would buy. There would be no money for space probes or scientific research, no environmental protection, no Coast Guard or air traffic controllers, no national parks or National Cancer Institute. No aid for highways or subways or schools or housing or soil conservation. No student loans, no farm subsidies, no training or job programs. No welfare or food stamps or hot meals—not just for poor kids but for the aged and disabled as well. No "big swap" for states and cities—just a big dump. There wouldn't even be any money in the pork barrel for locks or dams or waterways or courthouses. That is how tight the budget would be.

Now you understand why the budget isn't balanced. Balancing it would mean dismantling most of the government. Since there is no higher mathematics involved in this calculation, just simple addition and subtraction, you may wonder why Congress didn't recognize the dilemma it was getting into when it let the administration persuade it to vote for record tax cuts and defense increases. Perhaps it didn't want to know.

THE WASHINGTON POST

Other Opinion

Three Years of Khomeini in Iran

Opponents of the new despotism have been reduced to striking at it with almost the same blind violence that it uses itself, thereby adding to the general insecurity and chaos. The economy is at a virtual standstill and the government has recently reduced the price of Iran's exported oil in order to compete in overstocked world markets and obtain hard currency for desperately needed imports.

The persistence of chaos has tempted

many observers to predict the regime's imminent demise, yet recently it has scored successes, both against its internal enemies and in the war with Iraq.

The temptation remains for Western governments and businessmen to try to improve relations with it in order to take advantage of its needs and to make it less dependent on the Soviet bloc. Yet we should beware of being thought, by ordinary Iranians, to be contributing to its survival.

—From The Times (London).

Feb. 12: From Our Pages of 75 and 50 Years Ago

1907: Higher Than the Elevated

NEW YORK — The first fleet of passenger airships is to fly on a regular schedule from Fort George to Coney Island this summer. The first airship station in the world is to open at Broadway and 29th Street in a few months. No franchise is needed for navigating the air, so the projectors of this new rapid transit route, this rival of the Subway, the elevated and the surface cars, will have no tax to pay to the city. Mr. Fred Thompson, partner owner of Luna Park, and Mr. Joseph Weber, the comedian, are the pioneers in this movement, which may prove the solution of the rapid transit problem.

1932: Emergency Banking Bill

WASHINGTON — The emergency banking bill, designed to open the Federal Reserve banks for rediscounting new types of commercial paper, which is expected to check deflation of bank credits, release sterile gold and increase the country's supply of currency, has been introduced in the Senate by Sen. Carter Glass, Democrat of Virginia. The measure provides that the Federal Reserve Bank Board must approve all applications for rediscounting the commercial paper that the bank will now be able to handle. Sen. Glass declared that the law would not be used for the inflation of currency.

El Salvador, After Cambodia: Can Do but Can't Confirm?

By Sydney H. Schanberg

NEW YORK — An American official has been in the news about El Salvador who used to be in Cambodia. I used to be in Cambodia, too, observing his work. It is not the man who is important, but the reigning attitudes in Washington that he represents — attitudes that seem to have altered little from Cambodia.

Last week, the man — Thomas Ostrom Ender, assistant secretary of state for inter-American affairs — told Congress and the American public that the Washington-backed government in El Salvador had been making progress in human rights. He said new reports of government troops having recently massacred hundreds of civilians in a northeastern province were exaggerated.

Civilians did die in that operation, Ender conceded, but he maintained that (1) the figures were overblown, (2) there was no absolute proof that government troops did the killing, and (3) besides, the leftist rebels had done nothing to move civilians out of the path of battle.

It can fairly be said that Ender — who supervised the American bombing of Cambodia during his more than three years there — did little to move Cambodian civilians out of the way either. What he did do — first as the No. 2 man at the

U.S. embassy and later as the man in charge — was to spend considerable effort trying to discount and discredit reports by journalists in the field.

Ender was a protégé of Henry Kissinger and he was carrying out orders. Emory C. Swank — the ambassador in Cambodia who was asked by Washington to accept Ender as his No. 2 — describes Ender as a "can-do personality."

"What went wrong with our Indochina experience," says Swank, whose State Department career was destroyed by Kissinger when Swank became disillusioned with the Cambodia policy, "was that the bureaucracy in Washington wanted 'can-do' personalities."

Can-do personalities were the dominant leadership species in Indochina. They conducted themselves and prepared their reports in a manner they thought would please the top can-dos in Washington.

In 1973, Ender ran the daily meetings in the Phnom Penh embassy where bomb-

He confided to intimates that he had once considered a career in the military, but his eyesight wasn't good enough.

The 1973 bombing — finally ended on Aug. 15 by a congressional ban — was some of the heaviest in history. Of course, thousands of civilians were killed, maimed and turned into refugees.

Ender persistently contended that the figures reported by journalists in the field were exaggerated. It did not suit can-do policy to call attention to the death and upheaval of legions of peasants.

Does it ring familiar? Here is what he says now about Salvadoran peasants: "No evidence could be found to confirm that government forces systematically massacred civilians. Nor does the number of civilians killed even remotely approach the number being cited in other reports about the incident."

The 1973 bombing in Cambodia was carried out in direct, brazen violation of U.S. law — the Cooper-Church amendment to the Foreign Assistance Act that made it illegal "to provide United States advisers to or for Cambodian military forces in Cambodia."

American military personnel, acting in

secret and using sophisticated communications equipment inside the embassy, played the primary role in coordinating and directing the tactical air strikes flown from Thailand.

On Aug. 6, 1973, a week before the U.S. bombing was forced to halt, a B-52 accidentally dropped its 20-ton-plus load on a government-held town, killing nearly 200 and wounding more than 300. It was the worst bombing accident of the war. Most of the victims were civilians.

Ender tried to cover up the incident — first by sending an aide to tell the press corps that the death toll was probably only 25 but certainly no more than 65, and then by issuing orders to block reporters from getting to the town, 38 miles down the Mekong River from Phnom Penh. They got there anyway.

Ender perhaps regards journalists as he seems to regard civilian casualties, the law and the truth — as annoyances that interfere with can-do policies.

I don't know who is right and who is wrong on the various sides in El Salvador, for I have no expertise there. But my personal history tells me that foreign policies, can-do or otherwise, don't work without some convincing credibility.

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Numerology: The Entrails of an Occult Budget

By James R. Schlesinger

The writer was acting budget director in the Nixon administration and has been secretary of defense and of energy.

WASHINGTON — It was said of the augurs of ancient Rome that they could not pass each other in the street without either bursting out laughing or covering their faces in shame. With the 1983 budget, these twin responses seem peculiarly appropriate at the Office of Management and Budget — respectively, for its political appointees and for its unfortunate professionals.

The numbers in and behind this budget require the same care in interpretation as the reading of the entrails of a goose.

With the magazine publication of the Stockman confessions, the "leaking" of secret deficit projections in December and the subsequent presidential consensus in the administration that taxes would have to be raised, it had for a time appeared that a sense of reality would return to the budget process, and that the hopes and hallucinations initially associated with Reaganomics would be tempered.

Such apparently is not to be the case. Instead we have an ill-disguised attempt to obscure the wreckage of the nation's fiscal structure inflicted by last summer's tax legislation.

The president's late decision to eschew tax increases and the subsequent determination that budget deficits could not be shown as exceeding \$100 billion and were to be seen as declining made inevitable a degree of phonying-up of budget projections unmatched in recent decades (if ever), including the Vietnam War period.

Ceilings?

Rather than a plan reflecting the programs and spending of the federal government, the budget has undergone a transformation into an instrument of ideological hectoring. Central to such distortion is the target ceiling concept. Nothing is inherently wrong with the target concept, so long as the ceilings are related to plausible limitations on spending. These ceilings are not.

For fiscal year 1982 the initial ceiling was \$695 billion. The administration now concedes that 1982 spending will be over \$725 billion — exceeding the ceiling by \$30 billion. Most outside observers believe it will run to \$735-740 billion, thus exceeding the ceiling by more than \$40 billion.

The supposed ceiling for fiscal 1983 was \$752 billion. Thus, fiscal 1982 spending already will exceed the fiscal 1983 ceiling. Moreover, a realistic projection of 1983 spending (\$805-\$810 billion) drastically

exceeds the \$771-billion original ceiling for fiscal 1984. Such overruns accumulate increasingly. Indeed, fiscal 1984 spending itself will likely exceed the 1984 ceiling by \$110 billion or more. (There is no easier way on paper to curtail projected spending than simply to drop out a year or several years of expenditure growth.)

The new budget now projects fiscal 1983 spending at \$757 billion — a growth of \$32 billion above the (understated) fiscal 1982 figure. Could anyone honestly suggest that non-defense outlays will actually shrink next year by several billion dollars — despite continuing inflation and rising payments for Social Security, interest, retired pay, agricultural subsidies and the like? Yet that precisely is the bald thesis hidden in this budget's numbers. It implies shrinkage overall of real domestic expenditures by 7 percent, and much more for unsheltered programs. One doubts there are many administration stalwarts on the Hill so suicidally inclined as to walk that plank.

Preposterous

For fiscal 1984, the budget projects a further increase in spending of \$38 billion to roughly \$806 billion — including a nominal growth in non-defense outlays of \$16 billion. (This surprisingly generous outcome reflects the end of a miraculous surge in receipts from the outer continental shelf, expected in 1983 but not further augmented in 1984.) How is this dramatic understatement of 1984 outlays achieved? Two of the more egregious examples may suffice.

Social Security payments under existing law are estimated to rise by \$4 billion or just over 2 percent; but demographic factors should account for more than that, leaving aside cost-of-living increases. Interest payments, moreover — through the interlocking fictions of understated deficits and the proposition that interest rates will fall sharply as the economy expands by 5 percent in real terms — are understated by \$25 billion or so.

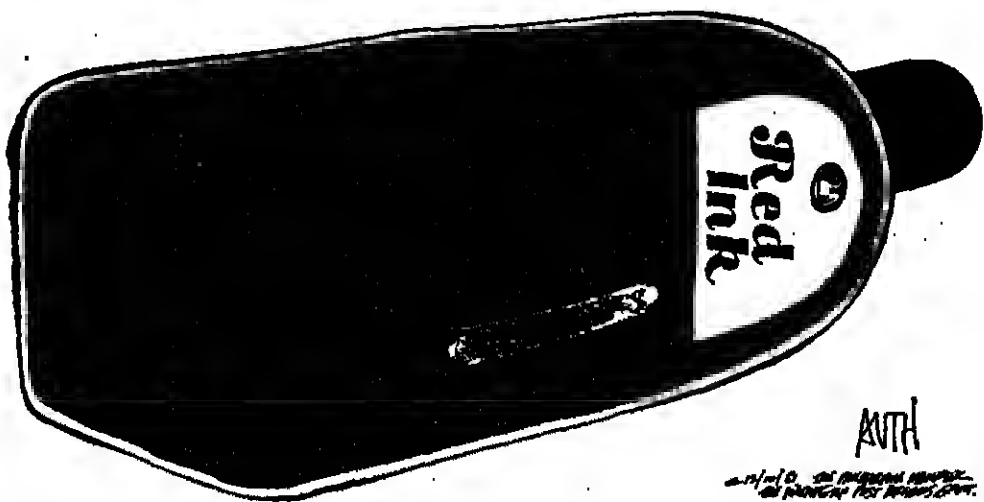
Enough of spending projections that stretch credulity.

Regrettably, the revenue reductions in the lamentable Economic Recovery Tax Act of 1981 (which destroyed the nation's fiscal structure) were tied to the fancies of the original target ceilings. The effect on further deficits remains calamitous.

For example, in fiscal 1984, expenditures will likely run to at least \$880 billion, but revenues are unlikely to be much over \$700 billion — a deficit probably exceeding \$180 billion.

How does the administration conceal that extra \$180 billion or so in the deficit, and thus rationalize its refusal to propose tax increases? Partly by the disingenuous understatement of outlays already outlined, but also by playing around with the revenue calculations. Despite the drastic cuts in the corporate income tax in the

1981 legislation — through transfer of tax credits, etc. — which in the absence of a minimum tax means that many corporations will have no corporate tax liability, the budget projects revenues from corporate income doubling between 1982 and 1984, almost to the level projected in the last Carter budget. What public purpose does all of this serve — a set of budget projections that knowledgeable people can only regard as preposterous? One hardly knows whether to laugh or to weep. No one from Wall Street can believe these pro-



Lighthearted in a Hardhearted Way

By James Reston

WASHINGTON — Question: Is this the administration that promised fiscal responsibility and a balanced budget?

Answer: It is.

Q. Could it be true, then, that this same administration has now proposed a budget that projects larger budget deficits over the next three years than the combined budget deficits of the Carter, Ford and Nixon administrations?

A. Not exactly. You have to add to the Johnson deficits, and even then the projected Reagan deficits will be larger than the sum total of \$144 billion.

Q. Very interesting. How do you explain this?

A. It's very simple. The record deficits, high interest and unemployment rates are the inevitable

result of past Democratic excesses. The Democrats create problems and it takes the Republicans a little while to remedy them.

Q. How will you do that?

A. By getting the federal government off the back of the American people. And by restoring the military might of the nation, which in turn would revitalize the lagging industrial capacity of America and get people back to work.

Q. This would, of course, influence the budget?

A. It would mean adding about \$33 billion, or 18 percent, to the defense budget, and reducing unnecessary expenditures in the domestic budget by almost 16 percent for food stamps, education, unemployment insurance — that sort of thing.

Q. Wouldn't that be rather awkward for the poor?

A. In the short run, yes. But we must restore the imagination of the nation, nourish the energy and self-reliance of the rising generation, and improve production by more research and development to make America more competitive in the export markets of the world.

Q. Precisely. By the way, what are you doing about research and development in this budget?

A. Well, we have had to cut it back a bit. We are still spending more than before, but inflation is a problem and we have to cut somewhere. We can't go on financing all these characters in universities and laboratories fiddling with ideas that may not get anywhere.

Q. There seems to be a problem about federal loans for college education in this budget. Harvard, Yale, Princeton and Columbia have just raised annual fees to about \$11,000 or \$12,000 a year. Without government loans to poor and middle-class families, are these institutions going to be out of reach for everybody except the children of the rich?

A. It may be so, but these student loans are getting beyond control. In total they are now costing almost as much as a couple of modern bombers, and many have not been repaid. We think families with an annual income of \$30,000 or more should be able to finance the education of their children without federal loans.

Q. Why are you cutting aid to government employees who are working with industry to increase U.S. exports, and cutting down the Labor Department employees who are trying to get training and jobs for the unemployed?

A. I don't know about that.

Q. What about the charge that this budget favors the rich and hurts the poor, that you are not "comforting the afflicted and afflicting the comfortable," but the other way around?

A. This is liberal nonsense. The poor must depend primarily on a successful free-enterprise economy for jobs, for, as George Gilder says: "A successful economy depends on the proliferation of the rich. Forget the idea of overcoming inequality by redistribution of the wealth."

Q. OK. But suppose you were wrong about all this, that you couldn't cut social services, double the increase in the Pentagon budget, and ended up with the highest peacetime deficits, interest and unemployment rates, and the poor started demonstrating in the streets. What would you do?

A. Blame the Democrats for creating the mess and not giving the Reagan economic policy a chance. After all, the Democratic Party has no policy.

Q. And if, despite this massive increase in the defense budget, it didn't work abroad?

A. Blame it on the allies, who didn't support the president.

Q. And if the markets don't respond to the Reagan budget?

A. Blame it on Wall Street and rely on Main Street, where Mr. Reagan is still popular.

Q. But if none of this works, is it conceivable that Mr. Reagan might switch and would reconsider his policies?

A. It could be. Anything is conceivable with Mr. Reagan. Confidentially, even his best friends don't know from one day to another what he is going to do. He is a very flexible man. His policies may seem cruel on the poor, but Mr. Reagan doesn't mean to be cruel. He is lighthearted in a hardhearted way, without really meaning much of anything.

Q. But isn't all this unfair to the poor?

A. Sure. But, as Kennedy said and Mr. Reagan keeps repeating: Life is unfair.

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Letter

See America First?

The report of Interior Secretary James Watt's views on energy and mineral development (IHT, Jan. 14) makes me wonder if the beauty and biota of the Western states will survive the Reagan era. While Secretary Watt raised some legitimate concerns about American dependence on foreign supplies of strategic minerals and energy, his call for a hasty program to open

more federal land to mining is misguided. A more effective program would coordinate strategic materials stockpiling, conservation, diversification of suppliers, materials substitution, and, where economically and environmentally sound, increased domestic production of raw materials.

Secretary Watt argues that there must be rapid development of Western energy resources now to preclude future political pressure for a "crash attack on the energy resources of the Western states."

This makes as much sense as saying that one ought to jump off a cliff now because someone might push one off the cliff in the future.

Since the days of Theodore Roosevelt, these lands have been protected in public ownership to guarantee long-term multiple uses and prevent the short-sighted single-use development of the type Secretary Watt advocates. U.S. government tourist promotion used to

urge, "See America First." With President Reagan and Secretary Watt setting environmental policy, it might be more appropriate to advertise, "See America Fast."

DAVID W. LEVINE

Oxford, England.

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India, Angered as U.S. Grants Entry to a Sikh, Is Silent Over Russia's Barring of a Communist

By Michael T. Kaufman

New York Times Service

NEW DELHI — The award of a U.S. entry visa to an Indian advocate of Sikh separatism and the denial of a Soviet visa to an Indian Communist who holds the Order of Lenin have caused indignation and raised speculation here in the last week.

The government was angered by news that Jagjit Singh Chauhan, the chief spokesman for a movement that advocates a separate homeland for the Sikh religious minority, had been allowed to enter the United States from Canada.

Foreign Minister P.V. Narasimha Rao summoned U.S. Ambassador Harry S. Barnes last weekend to convey India's displeasure that Mr. Chauhan had been allowed to enter the United States despite an earlier notification by India that his passport was no longer valid.

U.S. officials here and in Washington notified the Indian government that although Mr. Chauhan's entry had originally been blocked, the objection was waived on humanitarian grounds after he told

the World Federation of Trade Unions, of which he is a co-founder and a vice president.

To some in New Delhi, this decision appears to signal a retreat from recent Soviet policies of support for the Indian government.

Last autumn, Mr. Dange broke away from the Communist Party of India to form the All India Communist Party, which threw its support behind Mrs. Gandhi.

Retreat From Soviet Support

At that time Indian analysts and Western diplomats thought that Mr. Dange had Soviet sponsorship for his action because he formed the new party after a long visit to Moscow and Eastern Europe.

The assumption was that while the Soviet Union had varying degrees of responsibility toward the two established Indian Communist factions, which opposed Mrs. Gandhi's domestic policies, their foremost obligation was to her government, which consistently supported Soviet positions on Afghanistan and Southeast Asia.

This belief was further strengthened

when Soviet dignitaries attended the first meeting of a group called the Friends of the Soviet Union, which was set up by Mrs. Gandhi's Congress Party to seek some of the patronage from Moscow that had previously gone to the Indo-Soviet Cultural Society, a front organization dominated by traditional Indian Communists.

Mr. Dange supported the creation of the new group.

Since then, the two major Communist factions appear to have narrowed their differences, which go back 18 years and which were aggravated in 1975 when one wing supported Mrs. Gandhi's declaration of emergency and the other opposed it. Last month, both factions backed an inconclusive national strike against government policies, apparently with some Soviet support.

An electoral showdown between the Communists and Mrs. Gandhi's party is to take place in the next few months in West Bengal, where the Marxists control the government. At that time, both sides will make claims on Moscow, and the Russians will be faced with a critical choice.

Thailand's Moslem Minority Warns of Possible Rebellion If Government Refuses to Make 'Cultural Concessions'

By Denis D. Gray

The Associated Press

YALA, Thailand — Leaders of Thailand's Moslem minority group say that violence and demands for autonomy could increase if the government continues to neglect their community's aspirations.

Thailand's Moslems, whose numbers are estimated to be as high as 4.5 million, or about 10 percent of the population, are concentrated here in the southernmost part of the country, a region of jungles and rubber plantations.

There has been violence between members of the Moslem and Buddhist communities, and calls by various Moslem insurgent groups in the area for creation of a separate state or merger with neighboring Malaysia, which is predominantly Moslem. About half the Moslem population is concentrated in four provinces in the south. The remainder is spread throughout the country.

The most widely known of the insurgent groups, the Pattani United Liberation Organization, or PULO, has been blamed for assassinations in the south and for bombings in Bangkok.

While the radical groups call for

autonomy or merger with Malaysia, more moderate Moslems say they would be satisfied with receiving social justice and being treated like other Thais.

Moderates' Complaints

Mohammed Abdul Kader, a Moslem who heads the government's program for nonformal education in Yala, and other moderate Moslem leaders complain that local government officials are invariably Buddhists and that there is a commonly held assumption that only a Buddhist can be a "real Thai."

The southern Thai Moslems, who are ethnic Malays, form a largely closed community. Marriages to Buddhists are rare; the older people speak little or no Thai and many see Malaysia rather than Thailand, which took over the southernmost provinces in the 19th century, as their cultural and spiritual homeland.

"We don't understand each other," Mr. Kader said of Moslems and Buddhists.

Under some post-World War II Thai administrations, the official policy was to assimilate the southern Moslems. The government dis-

couraged the use of the Malay language and taught children Buddhist concepts from textbooks that bore no relation to their culture or surroundings. One prime minister ordered Moslem men to wear pants rather than the traditional sarongs.

Among Surbhasane, a Moslem professor at Bangkok's Chulalongkorn University, said he hopes that talk by government officials of making "cultural concessions" will ease tensions.

"We are moving in the same direction as the Philippines," says Mr. Arong, referring to Moslem rebellion in its southern provinces of that country. "But Thais are by nature more flexible. I hope this will help prevent an explosion."

Improvements Are Seen

Mr. Kader also said that there have been some improvements in the situation in recent years. He cited the transfer of control of teachers from the Ministry of the Interior to the Education Ministry. Under the Interior Ministry's authority, Mr. Kader said, many of the teachers were no better than police agents, coming to schools

armed and reporting to police on "Moslem activities."

Nevertheless, Mr. Kader contends that about 80 percent of the teachers in the south are still "outsiders" and many Moslem parents feel that they do not provide proper spiritual instruction.

"We haven't been able yet to formulate a basic concept for the south," Gen. Saiyud Kerdpol, Thailand's armed forces commander, said in a recent interview. "The Moslems must be made to feel that they are Thais. If they want to wear their traditional dress, let them. That's not important."

Mr. Arong, an expert on southern problems, says there is yet "no commanding Moslem insurgency movement in the south" and that most of the separatist groups — lacking real ideology and solid organization — are not trusted by the majority of the conservative, rural Moslems. Many of the Moslems living in other parts of the country are believed to be well integrated into the society.

"But inevitably the movement will become stronger if the government doesn't improve its performance," Mr. Arong said.

U.S. Alters Restrictions For Russian

By Philip J. Hiltz

Washington Post Service

WASHINGTON — The deadlock between several universities and the State Department over visits by a Soviet professor was broken when the department "clarified" restrictions on the visits so the universities would accept them, according to government and university officials.

The dispute is one of several in recent months involving academic freedom and national security between the universities, particularly Stanford, and Washington. It began when Stanford announced it would refuse to restrict the activities of a Soviet visitor, Nikolai V. Umnov, a specialist in computerized walking robots.

The University of Wisconsin had also said it would not accept the restrictions, while Ohio State University said through a spokesman it would reduce Mr. Umnov's time on campus from six weeks to three days if the restrictions were required. An Auburn University spokesman complained about the restrictions and said Mr. Umnov would still be welcomed on his scheduled spring visit.

But Wednesday the National Academy of Sciences, which runs the U.S.-Soviet exchange program, announced that the deadlock had been broken. The State Department is now expected to give final approval for the visit.

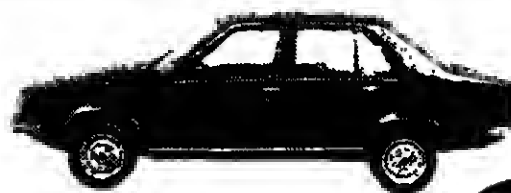
Prof. Bernard Roth, who will be Mr. Umnov's host at Stanford if final approval for the visit is received, said "clarified" is the term being used to save face for the State Department.

The restrictions originally had said that Mr. Umnov's "program should be restricted to mechanical theory of robotic locomotion," and that "no access should be permitted to control units or programming techniques for robots."

Now Mr. Umnov would be allowed to see control units or programming techniques if they are unclassified and have been or will be published in scientific papers or talks.



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COIN OF REALM — Britain is introducing a £1 (\$1.85) coin in June, double the value of the biggest coin in circulation. On the bottom is a new 20-pence piece, a 7-sided coin like the 50-pence piece introduced in 1967, now the largest. The £1 coin will be of a yellow metal alloy. The 20-pence piece is made of cupronickel. The £2 note is to remain in circulation.

U.S. Aide Defends Resumption of Grain Sales to Russia

From Agency Dispatches

PHOENIX — There is nothing wrong with selling grain to the Soviet Union when it has the money to buy it, Agriculture Secretary John R. Block said at a news conference Thursday.

"We don't have any embargo on shipments to the Soviet Union or Poland," Mr. Block said, defending the sale he announced Wednesday of 150,000 metric tons of corn to the Soviet Union. The grain represents the first reported sale by U.S. exporters since Dec. 17, which was before President Reagan imposed sanctions on the Soviet Union because of the declaration of martial law in Poland.

"The only items we're not shipping are sensitive or security-related," Mr. Block said. "Anybody who has cash could buy it — and that includes Poland. It doesn't make any sense at all to say we're not going to sell grain to the Soviet Union when all the competing countries are going to sell it."

Time for Negotiation

He said he had no timetable on a new, long-term grain sale agreement with the Soviet Union but that there still is time for negotiation between now and October. He said the present agreement could be extended.

Officials said Wednesday that the sale, after two months of no grain purchases, raised to more than 10.9 million metric tons the amount of U.S. grain the Soviet Union has bought for delivery in 1981-82, the sixth year of a long-term supply agreement. The breakdown is 5.9 million metric tons of wheat and 5 million metric tons of corn. A metric ton is about 2,205 pounds and is equal to 36.7 bushels of wheat or 39.4 bushels of corn.

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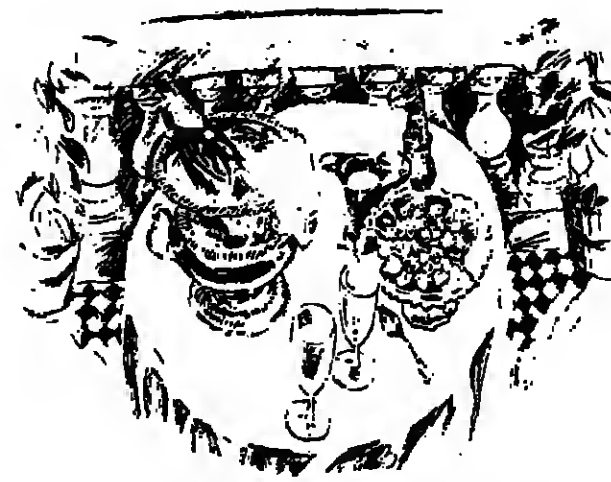
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A Visit to an Aborigines' Camp in the Australian Outback

By Pamela G. Hollie
New York Times Service

MOUNT NANCY, Australia — No one knows just how many people live in the two dozen houses that make up Mount Nancy, a camp established for aborigines on a slight rise in the red desert of central Australia.

The houses are open, some without windows or doors. Visitors come and go, and dogs and cats wander in and out freely.

Rita Scobie sits on the ground flattening aluminum beer cans with a rock. When she has a burlap bag full, she can get about \$20 for it. As fast as she pounds, the morning visitors to the nearby concrete house where she sleeps toss empty beer cans her way.

"People misunderstand what they see in the camps," said Geoff Shaw, a Vietnam War veteran who lives in Mount Nancy. "What they fail to understand is that aborigines brought their tribal customs and their life style with them. Whites are too quick to condemn us."

Mount Nancy, a few miles north of Alice Springs in the center of the continent, is one of many small camps established by the Australian government for aborigines

who have come to towns and cities from the outback. Shaw works for one of the aboriginal councils that handle liaison between the camps and local governments.

Aid in Transition

Camps like Mount Nancy were intended to aid in the transition from bush to urban life. But a recent report by the government's Department of Aboriginal Affairs says the tendency of the aborigines to cling to their old ways is likely to make their assimilation unattainable.

There are 170,000 aborigines in Australia, 1.2 percent of the population. They are scattered over the country in 600 tribes speaking 200 languages.

Sixty-five percent of the aborigines have moved into the urban areas," said Charles Perkins, chairman of the Aboriginal Development Commission, one of the channels through which Australian government money reaches the tribes. In its first year the commission lent \$50 million to aborigines to buy land and housing.

The government has spent more than \$350 million in the last six years providing housing for aborigines on land they once owned.

"The government is helping us

to buy back what is ours," Perkins said. "It's guilt. But no other government that I know of has ever done that."

Using housing as the key to its program, the government has been able to make some progress in aborigine health, education and welfare. But it has not been able to reduce unemployment among the aborigines to much below 50 percent.

The government acknowledges that communities like Mount Nancy, on the fringes of towns, are part of a growing problem.

"There doesn't seem to be much that we can do about it," said Peter Baume, minister for aboriginal affairs. "The fringe problem is the toughest problem we face."

In camps like Mount Nancy, aborigines have found sanctuary from the hardship of the bush. The attractions of concrete houses and welfare benefits, which can amount to \$300 a week for a family of six, have encouraged aborigines to leave rural tribes for urban areas.

Perkins, who was born near Mount Nancy, said aborigines "are caught between two worlds" in such settlements, with little to do and no skills. "They are not independent," he said. "They are not productive. They are not confident."

There is no vocational training at the camps, and there are no programs to teach housekeeping. Instead of providing an incentive for aborigines to adopt the ways of non-aborigines in nearby towns, the camps have become permanent fenced compounds that are just places to live.

Comfortable Place

To many of the aborigines, Mount Nancy, although littered with beer cans, wine bottles and trash, is a comfortable place. There is no need to forage for food, to keep up the weaving, art or music of the outback. Some of the inhabitants do have jobs, mostly for the government in programs for the aborigines.

The men wear Western-style shirts with fringes and cowboy hats and boots. The women wear T-shirts and jeans.

"This is a nice place," said Agnes Mathews, Mrs. Scobie's sister, comparing her lot with that of aborigines who sleep in makeshift shelters on the rocky soil along the road or in the dry riverbed of the Todd River in Alice Springs.

She has three television sets in her concrete three-bedroom house. She has no broom and no dishes, and most of the furniture that

came with the house has disappeared. But there is food around — canned beans and oat-tot-fresh sausage.

Every day neighbors stop by to visit, play cards and drink. "They broke brother's leg last night," Mrs. Mathews said, tossing another beer can to her sister.

Giovanna Marini Reinvents 'Cantatas of Everyday Life'

By Joseph Fitchett
International Herald Tribune

PARIS — Giovanna Marini, singing what she calls her "cantatas of everyday life," is reinventing Italian folk song. Although she is little known outside Italy, her performances in Paris have become a word-of-mouth sensation.

Marini, 44, belongs to an Italian tradition of *cantastorie*, singers who recount working-class history. Dying out in the villages, the modern storytellers often perform in factories and city streets.

Marini, who is winning an international following with her remarkable voice, inventive music and witty expressed political passion, says her achievement is to bring into the streets the lost instincts of the countryside. "I've learned everything from the country — how to sing, even how to breathe. Cities are so badly made we're instinctively afraid to breathe in them and we forget how, until the country people remind us," she said.

She belts out songs about earthquakes, strikes, terrorism, superstitions — her versions of the daily experience of many Italians. Flanked on a darkened stage by three young female singers, Marini relies, only on her guitar and the quiet of extraordinary voices.

She narrates, in the tradition of

Italian storytellers, the misadventures and occasional triumphs of her musical and political experience. Marini's songs are street poems reflecting her sardonic radicalism:

Excuse me, how could I know he'd lost his job?

How could I imagine he's starved for a week?

Excuse me, for taking him in for a while.

How could I imagine he'd die at my door?

Her music has a power and sophistication that reflect her genius for modernizing Italy's traditions of folk song. It is the fruit of long research and experimentation (which continue today in her voice school in a working-class neighborhood in Rome).

After a middle-class urban childhood and classical music studies, Marini turned to folk music, scouring Italy's remote corners to locate the sources of unsophisticated Italian ballads. From being a folksinger — including appearances in Boston, where her now-divorced husband, a nuclear physicist, was working — she determined to try to master the source of country music's power. ("Peasants still know how to sing. It's the kind of power Callas had.")

She devised a system of speed-writing to note the rapid voice shifts of untrained Italians. "Ornamental" elements — strong nasal whines, choppy aggressive diction, the mixture of narration and song — could thus be brought out of Italy's countryside and used to create music from Italy's streets.

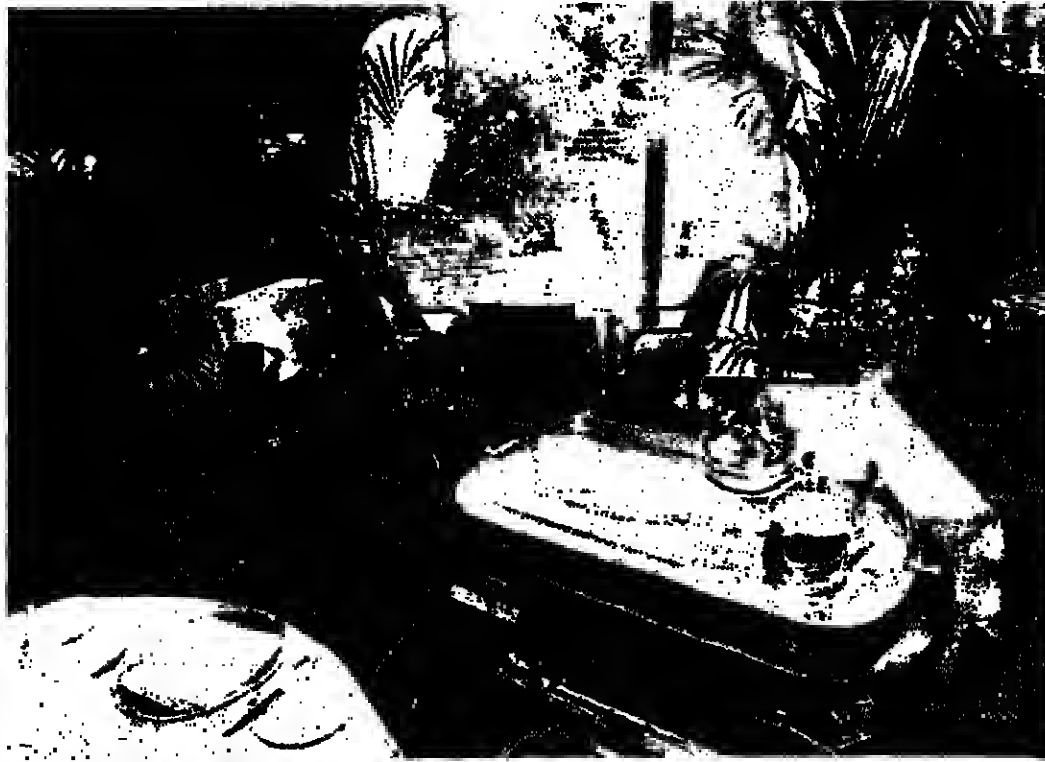
"The way you place your voice, the tone of your voice and the openness of your vocal chords, make the difference between a rich woman and a peasant," Marini explained during one of the audience discussions that often follow her performances. "The kind of voice you develop changes the kind of message you can project."

Marini's only record with translated lyrics, "Cantate de tous les jours," has suddenly become hard to get because the recording house, Chant du Monde, went bankrupt last week.

Marini is performing at the Théâtre de l'Est Parisien through Sunday, followed by a week of appearances in Paris suburbs. In May she will tour the south of France.



Giovanna Marini



A guest's id is as important as his credit rating at Paris' luxurious new Nova-Park Elysées Hotel.

Luxury in Mauve at a Paris Hotel

By Frank J. Priol
New York Times Service

PARIS — Le Monde called it "a triumph of Baroque." Le Nouvel Observateur described it as "Helvetio-Saudian." The critic Robert Courtine said it was a "mauve-colored Roissy" — and just as boring. (Roissy is the local name for Charles de Gaulle Airport.)

Everyone is calling it something, which is just what its sponsors had hoped. What is it? Why, the Nova-Park Elysées, the newest and most startling luxury hotel in Paris.

A psychologist was enlisted to help choose the most erotic color schemes. The best space in the house, a triplex with its own indoor pool, is called the Thousand and One Nights. There is a library of 8,000 video cassettes that guests can summon on screens in their rooms.

The six-story Nova-Park, which has 73 rooms, has been two years under construction at the intersection of rue François Ier and Pierre Charron, in the center of what its promoters term Paris' Golden Triangle. It is in the former headquarters of the magazine Paris Match, which moved. Only the facade of the building was retained.

Nearby are more famous and less bizarre dormitories for the well-to-do — the George V, the Plaza Athénée and the Prince de Galles. Dior, Nina Ricci, Yves Saint Laurent and Givenchy are but a couple of checkbook lengths away.

Something Significant

Parisians sensed something significant happening in their midst when, before the hotel had opened, those gaudies of gourmandise, Henri Gault and Christian Millau, conferred a 16-out-of-20 rating on the restaurant "on the basis of a number of dishes tried in the kitchen." Actually, they were going on the track record of the chef, Jacky Freon, who was lured from a restaurant, Les Célébrités, in the city's formerly most-talked-about hotel, the Nikko. Prices in the Nova-Park restaurant are in the range of \$120 for dinner for two with wine.

The Nikko, a militantly contemporary skyscraper that flies both the Tricolor and the Rising Sun, was built to cater to the endless streams of Japanese tourists, and its restaurant was highly praised. One small caveat: Freon was the No. 2 man at Les Célébrités; the

No. 1, Joel Rubuchon, went not to the Nova-Park but to Jamin, a famous old restaurant in the 16th Arrondissement.

The Nova-Park Elysées is the latest creation of René E. Hatt, a Zurich businessman who is reputed to have oil interests and Arab partners in his ventures. Hatt says he wants to "Parisianize" his guests, who are likely to find a novel by Zola or Hugo in their rooms. "That way," he said, "be they American or Arab, they will be able to make a good impression when they mingle with Parisians."

Hatt has not limited himself to the classics. He has read Jung and the existentialists and is as concerned with his guests' kds as with their credit ratings. To that end he has "created a psychogram for every square yard of space," the psychogram conveys — to Hatt, at least — the impression he wants to provoke in the client's subconscious in any given location. Most of all, it means color.

The colors are mostly mauve, but also fuchsia, violet and rose. The walls, the ceilings, the carpets, the furniture and the table linens are done in combinations of those tones, with an occasional dash of orange or yellow. Said a visitor: "I felt I was in the middle of a raspberry soufflé."

An expensive soufflé. Single rooms start at \$250 a night, a small suite at \$300, a larger suite around \$500. A duplex goes for \$600 or more, a presidential suite is \$840 and a royal suite will set its happy denizen back \$1,320. Finally there is the Thousand and One Nights, at \$7,000 for one of them, including the use of a Rolls-Royce.

The hotel has a disco, of course, and several bars, among them one on the top floor done in the style of an ocean liner of the 1930s. A health club is fitted with high tech muscle-building apparatus and a business service center boasts secretaries, stock quotations and telex machines.

Paris is chronically short of hotel rooms, but only recently, after a hiatus of a decade, has there been any effort at improvement. Three hotels, all deluxe, have opened in the last six months: the refurbished Warwick, in the Rue Scribe, just north of the Champs Elysées; the completely renovated Scribe, near the Opera; and the Nova-Park. On March 1, a new Holiday Inn will open in the Place de la République in the former Palais Moderne, built under Napoleon III in 1866.

Photography Scene

Photography in India, Indians Here and There. The Photographers Gallery, 8 Great Newport Street, London, to Feb. 28.

This two-part exhibition shows developments in Indian photography, as well as aspects of Indian life in Britain. Indian photography started in the 1850s and generally followed the path developed in Europe, with a few characteristics of its own. Portraiture and landscape were the main forms of the period, and the exhibit provides a rich documentary of life in India in the last century. This is carried through into the birth of modern India. The second part, commissioned by The Photographers Gallery, portrays Indians in Britain and India today through the lenses of Peter Harap and Mark Edwards. It draws a parallel between life in the place of origin and the country of adoption, underlining Indians' capacity for integration while safeguarding tradition.

Use Autre Photographie, Maison des Arts André Malraux, Place Salvador Allende, Créteil, France, to March 20.

This exhibition, spreading over three floors and a big entrance hall, fails in its attempt to make an inventory of what the organizers consider the latest developments in experimental photography. The combination of the best and of insignificant and often outdated works misses the bond between photography and visual arts, although some of the contributions,

such as Claude Lévêque's altar sculpture filled with gold-framed photographs or Sophie Calle's pictures of a trip to the Bronx, are of top quality.

Jacques Pugain, Canon Photo Gallery, 3 Rue Saint Léger, Geneva, to March 23.

In this black-and-white study on form, obtained by the combination of the human body and straight lines, the photographer becomes director by placing objects to define and determine the body's visual dimensions. Pugain's research borders on the metaphysical, but his work is very graphic.

Toso Dabac, Arhiv TD, Illica 17, Zagreb, Yugoslavia, to Feb. 28.

A personal view of postwar developments seen by a founder of modern photography in Yugoslavia, at a time when socialist realism was destroying artistic circles around Eastern Europe. The work of Dabac, who died in 1970, is marked by a subtle use of contrast.

Raymond Depardon, Correspondence, FNAC, Forum des Halles, Paris, to Feb. 27.

Last summer's project by a Magnum photographer to send a picture a day for a month from New York to his Paris newspaper, Liberation, has been turned into a lovely book and an interesting exhibition.

—C.G. CUPIC

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Toronto, 'City of Moles,' Is Coming Up for Air

Officials Decide Trend Toward Underground Malls May Have Gone Too Far

By Andrew H. Malcolm
New York Times Service

TORONTO — When John Hannah leaves for his job as a stockbroker in the morning, he goes underground. He does not come out until after dark. And that is perfectly normal.

Mr. Hannah is one of perhaps several million Canadians who can dodge their hostile northern climate on these bitter winter days by traveling, working, eating, shopping, dancing, reading, drinking and strolling somewhere in the vast network of underground malls that honeycomb Canada's major downtown areas.

Toronto and Montreal have the largest such systems, but Vancouver and Winnipeg also have them. Calgary, the booming oil city, has trouble with its water

table, so its indoor mall system has been built on the second floor, connected by an enclosed series of walkways over downtown streets.

In other cities, individual shopping centers have been built under certain structures, such as Rockefeller Center in New York City. But Toronto's malls are connected by a vast network of tunnels and passageways, enabling citizens to meander almost two miles (three kilometers) from station to station, store to store, office to office without once needing a coat, breathing fresh air or seeing daylight.

The malls, each privately owned and encouraged by city zoning rules, were designed to relieve the packed surface sidewalks that threatened to strangle booming downtown areas.

But the plan may have worked

too well. "We don't want to become a city of moles," said Steve McLaughlin, Toronto's Planning and Development Commissioner.

Some downtown streets can become virtually devoid of humans and street-level commerce at times, shivering the kind of variety Toronto seeks to maintain its core vitality. The city now discourages subterranean developments and is acting to modify existing facilities.

"What we don't want," added Mr. McLaughlin, "is to have every one using underground private streets, which close at 6 p.m., and leave the outdoor streets empty of life except for a few brave souls dashing between buildings from urban foot to urban foot under the eye of skyscraper security guards."

Regulations Change

Toronto used to pay half the cost of linking different malls with tunnels under city streets. And it encouraged new developments by not including underground floor space in zoning applications. No longer.

Now the city requires every new building to contain ground-level retail space opening on the street. It is helping owners improve mall wall maps and signs linking the underground streets and the surface. At present there is little hint of what lies beneath pedestrians' feet or above their heads.

The city is studying ways of

opening the underground complexes more to daylight, possibly through large landscaped shafts and broadened subway stairways, which, according to Mr. McLaughlin, now resemble "little ratholes."

David Arscott, past president of the Downtown Business Council, sees the malls as an integral part of a diverse city center designed to draw more suburban visitors downtown and attract more permanent residents to downtown housing under construction.

The underground complexes now simply serve the army of daily business commuters who pass through out of the snow from subway or train stations on their way to somewhere else.

According to Tony Narcisi, a janitor who patrols with his hand broom at one of the city's busiest car-free intersections under the Toronto-Dominion Center, lunch hour is the busiest — and trashiest — time of day underground.

"It gives me the creeps down here," said Mr. Hannah during a coffee break several stories underground. "So in the summer I get out for a lunch walk just to get some fresh air. There's none in here."

Down the underground street, John McGregor would soon close his pipe store and head toward home underground. "What kind of a day was it?" he asked.

Mario Montessori, 83, Dies; Directed Association Founded by His Mother

The Associated Press

AMSTERDAM — Mario Montessori Sr., 83, a prominent figure in the educational system that bears his mother's name, died in an Amsterdam hospital Tuesday.

Mr. Montessori was director-general of the International Montessori Association, an Amsterdam-based group supervising the training of teachers for Montessori schools throughout the world.

He was the only son of Maria Montessori, the Italian-born originator of the teaching system that emphasizes the individuality of children in the learning process. She moved to the Netherlands before World War II and died here in 1952.

Friends said Mr. Montessori was active in the movement until recent weeks, but died after becoming ill during the weekend.

Arthur Joseph Barsky
NEW YORK (NYT) — Dr. Arthur Joseph Barsky, 83, a pioneer

ing plastic surgeon who treated Vietnamese children during the Vietnam War and victims of the Hiroshima atomic bombing, died Tuesday in southern France. He lived in the village of Le Beausset and maintained an apartment in Manhattan.

The "Barsky Unit" was the name given by the Vietnamese to the Center for Plastic and Reconstructive Surgery in Saigon, which opened in July, 1969, and treated 1,200 children a year up to South Vietnam's surrender in April, 1975.

A New York native, Dr. Barsky was educated at the University of Pennsylvania and New York Medical College. He wrote "Principles and Practice of Plastic Surgery," one of the first textbooks on the subject, published about 40 years ago.

Ronald Aubrey

ATLANTA (AP) — Ronald Aubrey, 60, senior chief of bureau in The Associated Press and head of the news cooperative's Atlanta office for 19 years, died Wednesday of cancer.

OBITUARIES

Handwritten number: 1010150

BUSINESS NEWS BRIEFS

Toyota Reported Ready to Build Plant in U.S.

TOKYO — Toyota, Japan's largest automaker, will build a robot-operated auto plant with annual capacity of up to 250,000 cars in the midwestern United States by 1985, industry sources said Thursday. The sources confirmed newspaper reports that Toyota's top executives met late Wednesday to hammer out the proposal that will be presented to International Trade and Industry Minister Shintaro Abe. Toyota executives made the decision because they foresee tightening of U.S. pressure on Japanese car exports, the sources said.

VW of America Makes First Rebate Offer

DETROIT — Volkswagen of America, attempting to boost sales, will offer for the first time direct cash rebates to buyers of 1982 VW Rabbit sedans and pickups, the automaker has said. The \$350 offer puts VW in line with the major U.S. automakers, who have announced rebate programs in recent weeks.

Southeast Raises Florida National Banks Bid

MIAMI — The interstate takeover battle for Florida National Banks intensified Wednesday when Miami-based Southeast Banking Corp. announced its intention to make a \$36-a-share cash and stock offer for Florida National "as promptly as practicable." The \$350 offer puts VW in line with the major U.S. automakers, who have announced rebate programs in recent weeks.

Initial Financing Set on OK Tedi Project

HONG KONG — An initial financing accord of \$150 million for the OK Tedi Mining gold and copper development project in Papua New Guinea was to be signed Thursday, Citicorp International said as lead manager. The syndicated facility is for 12 years if used as a term loan under the accord's flexible options or eight years if used in the form of letters of credit, it said in a statement. Interest is on a sliding scale and will start at 1/2 percentage point over the London interbank offered rate, it said.

Daimler-Benz Says '81 Profit Similar to '80

STUTTGART, West Germany — Daimler-Benz said Thursday that profit last year was similar to 1980, but it did not specify in a letter to shareholders whether it was referring to the group or parent company. World group net profit in 1980 was 1.1 billion Deutsche marks and parent company net profit was 961 million DM. The company is due to publish full details of its 1981 results in late May.

British Telecom Reports £140 Million Profit

LONDON — British Telecom, the state owned telecommunications company, said Thursday it showed a profit of £140 million in the six months ended Sept. 30, 1981 compared with a loss of £19 million in the same period of 1980. British Telecom's income totaled £2.69 billion, up from £2.05 billion.

Reagan Economic Optimism Sees Defeat of 'Stagflation'

By Leonard Silk
New York Times Service
NEW YORK — In the face of evidence that the recession still is deepening, President Reagan and his economic advisers are predicting that the economy will turn around and grow strongly and inflation will slow in the second half of 1982 and later. The rationale behind this forecast, as detailed in the economic report written by the president's Council of Economic Advisers, is that the administration has found the solution to the major economic

NEWS ANALYSIS

problem that has dogged the United States and the rest of the industrial world for the past decade — "stagflation," the mixture of economic stagnation with high unemployment and high inflation.

The basic solution, as proposed in the report, is the administration's well-advised two-way remedy, which combines strict control of the growth of the money supply to curb inflation with huge tax cuts to cure stagnation. The report attempts to demonstrate that "what some people refer to as 'monetarism' and 'supply-side' economics should be seen as two sides of the same coin — controllable and necessary measures to both reduce inflation and increase economic growth."

Half of that remedy, Murray L. Weidenbaum, chairman of the council, asserted at a news conference Wednesday, before the report was made public, has been working well. Inflation has declined from 10.4 percent a year in the final quarter of 1980 to 8.6 percent for all of 1981.

Skeptics Acknowledged

The president's economists are aware that there is skepticism in financial markets and around the country about whether Reaganomics has delivered the goods as advertised — unemployment has climbed far higher than expected, budget deficits are far bigger than forecast by the administration early last year and interest rates, which fell late last year, have been rising again, disturbing the finan-

S. Africa Imposes 10% Import Levy

CAPE TOWN — South Africa has imposed a 10-percent surcharge on all imports, except those subject to the General Agreement on Tariffs and Trade, with immediate effect, Finance Minister Owen F.F. Horwood told Parliament Thursday. Mr. Horwood said this will bring in about 550 million rand (\$358 million) in a full year and 100 million in the current year to March 31. The surcharge will be phased out as soon as circumstances permit, he added. He said the general sales tax will be increased to 5 percent from 4 percent, effective March 1 and will raise about 600 million rand in the 1982-83 financial year. South Africa had a record deficit in its current account of 4 billion rand in 1981.

Allied, Continental Bid \$714 Million for Supron

By Robert J. Cole
New York Times Service
NEW YORK — Moving further into the oil and gas business, Allied Corp. and the Continental Group have agreed to buy, as equal partners, Supron Energy of Dallas for \$35 a share, or \$714 million in cash. An Allied spokesman, Christina Pagano, said Wednesday that the announced price represented only the 204 million shares in public hands. And Donald J. Donahue, vice chairman of Continental, said that executive stock options would also be purchased, lifting the price to more than \$775 million. He said that the two companies would also assume Supron debts of \$50 million to \$55 million, thus making the overall price about \$825 million.

The Allied spokesman later said that the \$825 million figure was "OK." Supron shares were trading at \$30.50 a share on Tuesday when the American Stock Exchange halted activity in the stock. More than half of the funds to pay for the company would come from bank loans to be repaid directly from Supron's own oil and gas production, Mr. Donahue said. Both acquiring companies have recently changed their corporate names — from Allied Chemical and Continental Can — to reflect the rapid diversification of their interests.

In a statement announcing the terms, Edward L. Hennessy Jr., chairman of Allied, and S. Bruce Smart Jr., chairman of Continental, said that an Allied subsidiary would first buy Supron and then transfer Supron's oil and gas properties to an Allied-Continental partnership. Union Texas Petroleum, an Allied unit, and Florida Exploration, a Continental unit, would control Supron equally.

The Allied unit will offer to pay \$35 a share for 16.1 million, or about 79 percent, of Supron's shares, subject to getting at least 11.1 million shares. Remaining shares will be exchanged at that price if the merger goes through. In a statement last summer, Mr. Hennessy said that Allied would commit \$2 billion in capital spending for its energy subsidiary over the next five years, noting, "We want oil and gas to grow, but we want our other businesses to grow faster." Mr. Hennessy could not be reached Wednesday, but Allied's spokesman said that the position remained unchanged.

She added that Allied needed more domestic income to take advantage of investment tax credits and thus help cut its tax rate, and that Supron would allow Allied to do this by increasing its domestic oil and gas holdings. Mr. Donahue of Continental said that company strategy for some time had been to offset its slow-growing packaging operations by diversifying into faster-growing industries, including insurance, in 1977, and oil and gas in 1979, when it purchased Florida Gas for \$340 million.

One advantage of the Supron venture, he said, was to "bring producing revenue more in balance with the company's already large exploration effort." Supron placed its reserves at 8.3 million barrels of oil and 475 billion cubic feet of gas as of Dec. 31, 1981. Allied said its Union Texas reserves amounted to 166 million barrels of oil and 1.95 billion cubic feet of gas. Continental said that its share of Supron would increase its reserves by 170 percent, double its production and increase its undeveloped acreage by 75 percent.

Mr. Donahue said that the company's strategy for some time had been to offset its slow-growing packaging operations by diversifying into faster-growing industries, including insurance, in 1977, and oil and gas in 1979, when it purchased Florida Gas for \$340 million. One advantage of the Supron venture, he said, was to "bring producing revenue more in balance with the company's already large exploration effort." Supron placed its reserves at 8.3 million barrels of oil and 475 billion cubic feet of gas as of Dec. 31, 1981. Allied said its Union Texas reserves amounted to 166 million barrels of oil and 1.95 billion cubic feet of gas. Continental said that its share of Supron would increase its reserves by 170 percent, double its production and increase its undeveloped acreage by 75 percent.

Singapore Poised to Allow Numbered Bank Accounts

WASHINGTON POST SERVICE
SINGAPORE — Intent on consolidating its reputation as the "Switzerland of the East," Singapore is considering measures to allow banks to offer customers secret, numbered accounts. According to diplomats and banking sources, the government is expected to announce the measures in a budget message at the end of this month or in early March. For the past few months, government planners have been studying proposals to allow numbered accounts, and foreign banking experts have been approached about how the accounts operate, the sources said. However, the government says the issue has yet to be decided formally.

While such a measure might attract more money to Singapore's already well-developed and highly secretive offshore banking system, diplomats said, it risks offending this tiny city-state's neighbors, notably Indonesia. In addition, the U.S. Internal Revenue Service is known to be unhappy about the prospect. IRS agents in Singapore refused to comment publicly, but a well-informed economist noted that the service "has been after Singapore for years" to provide information on IRS suspects.

The president's economists, who reportedly campaigned behind the scenes for increases in excise taxes, did not venture specifically to criticize the large deficits the president is projecting for the next three years, and they do not imply a desire to reduce or delay the huge personal and business tax cuts or the buildup in military spending that will contribute to the deficit in 1983 and the "out years." The council is, in fact, counting on the scheduled cut in taxes in the middle of this year and the military buildup to help push the economic recovery along. But at the moment, that recovery remains around the corner.

CURRENCY RATES

Interbank exchange rates for Feb. 11, 1982, excluding bank service charges.

	\$	£	DM	FF	Y	Scd	Swf	S	DK
Australia	1.28	0.75	1.97	1.35	1.36	1.36	1.36	1.36	1.36
Belgium	40.34	24.75	127.05	47.15	1.18	1.18	1.18	1.18	1.18
Canada	1.24	0.71	1.52	1.07	1.07	1.07	1.07	1.07	1.07
France	6.55	4.00	16.66	6.55	1.66	1.66	1.66	1.66	1.66
Germany	1.93	1.19	3.36	1.93	0.49	0.49	0.49	0.49	0.49
Italy	1.36	0.83	2.00	1.36	0.34	0.34	0.34	0.34	0.34
Japan	143.74	88.00	354.00	143.74	36.46	36.46	36.46	36.46	36.46
Netherlands	1.66	1.03	2.50	1.66	0.42	0.42	0.42	0.42	0.42
Spain	166.36	103.00	380.00	166.36	41.56	41.56	41.56	41.56	41.56
Sweden	13.76	8.40	20.00	13.76	3.44	3.44	3.44	3.44	3.44
Switzerland	2.00	1.25	3.00	2.00	0.50	0.50	0.50	0.50	0.50
U.K.	1.00	0.63	1.56	1.00	0.25	0.25	0.25	0.25	0.25

Source: Reuters. 1 U.S. dollar = 100 cents.

(*) Commercial franc. (b) Amounts needed to buy one pound. (c) Units of 100. (d) Units of 1,000.



Karl Otto Pöhl

Brock Says EEC Farm Aid Is Becoming 'Intolerable'

WASHINGTON — The burden placed on the United States by the heavy agricultural subsidies of its European trading partners is becoming "intolerable," U.S. trade representative William Brock said Thursday. Mr. Brock said in Senate testimony that the EEC spent \$14.4 billion in 1980 — nearly twice the amount spent four years earlier — on farm price supports and export subsidies.

The payments help European farmers sell their products on the world market even though they cannot produce them as cheaply as their U.S. counterparts. The EEC "has chosen to undertake a costly series of programs, and then the effect is to shift the burden to other countries," Mr. Brock told the Senate Finance subcommittee on international trade. "This burden is becoming intolerable."

Brock cited a Michigan State University study that showed that in 1981, the subsidies given Western European farmers to make their exports competitive cost U.S. farmers 50 cents a bushel for wheat. For 1982, the figure would be 35 cents a bushel. Sen. John Danforth, a Missouri Republican and the subcommittee chairman, said fourth-quarter U.S. agricultural exports in 1981 increased 9 percent, but their value fell by only 4 percent. "It is clear that our farmers, who are the most competitive and productive in the world, are exporting more and receiving less," Danforth said.

Mr. Brock said the United States might seek a ruling from a neutral panel under the General Agreement on Tariffs and Trade if the subsidies are not reduced. On Wednesday Mr. Brock and Commerce Secretary Robert Baldrige told Congress that the United States suffers from "an unequal trading relationship" with Japan, and is fighting European and Canadian discrimination as well. But in demanding "equity," they said that it would be a mistake to resort to bilateral sanctions against any country or bloc.

Mr. Baldrige and Mr. Brock said that they are confident the Japanese government has made a major new commitment to open up its markets to foreign goods, despite a disappointing first step taken last week when Tokyo dropped a number of non-tariff barriers.

President Reagan reiterated "my administration's commitment to free trade" in his annual economic message to Congress Wednesday. Elaborating on that theme, the Council of Economic Advisers in its own report went out of its way to warn against pressures to retaliate against other countries' protectionist steps, or to subsidize U.S. exports.

The report said these pressures "reflect a troublesome 'neomercantilist' view" inconsistent with the administration's goal of "less, not more, government interference in the marketplace." And the council cautioned against becoming "unduly preoccupied" with deficits with any single country. Both Mr. Brock and Mr. Baldrige admitted that U.S. companies, despite great effort, had made little headway so far in penetrating the Japanese market, especially in high-technology items. Both endorsed the concept of "reciprocal treatment" which is gaining currency in Congress as a way of enforcing "fairness" in international trade. Mr. Brock said that the U.S. trade deficit with Japan, \$16 billion in 1981, could approach \$25 billion this year.

Japan's recent lifting of 67 non-tariff barriers was welcome, but of minimal significance, both officials said. They hinted, however, that Japan is prepared to take further actions that are more meaningful. "I am absolutely confident that we are going to get equity from the Japanese. I think we need each other badly," Mr. Brock said.

Pöhl Assails Reagan Budget

Head of Bundesbank Sees 'Fateful Dilemma' in Deficits

By John Tagliabue
New York Times Service
BONN — In a clear signal of Western European dismay with Reagan administration budget plans, the head of West Germany's central bank indicated serious apprehension Thursday that huge impending U.S. government deficits might present the Reagan administration with a "fateful dilemma" that could jeopardize recovery of the world economy.

In a speech in Hamburg, Karl Otto Pöhl, the Bundesbank president, said he "hoped those critics were wrong" who said soaring U.S. defense spending coupled with massive tax cuts might generate budget deficits that could "confront the United States with a fateful dilemma, namely, having to choose between extremely high interest rates and an acceleration of inflation."

"Not only the U.S. economy would be hit by that," Mr. Pöhl continued, "but the entire world economy." Echoing Mr. Pöhl's concern, Belgium's finance minister, Willy De Clercq, the present head of the EEC's Finance Committee, said in Brussels that U.S. anti-inflationary monetary policy coupled with the prospect of towering deficits caused increasing apprehension in Western Europe.

And from London it was reported that Sir Geoffrey Howe, Britain's chancellor of the Exchequer, told Parliament that U.S. interest rates have "a very powerful effect" on British rates and added, "We cannot do more than a little to offset that." Sir Geoffrey added that "it is equally important for our country and other countries of Europe to make plain to the U.S. our concern about the level of their prospective budget deficit and its implications for interest rates around the world."

[Federal Reserve Board Chairman Paul A. Volcker said Thursday the projected fiscal 1983 and 1984 budget deficits pose "a major point of hazard for financial markets" both now and in the future. Reuters reported from Washington. Mr. Volcker said he is not so much concerned about the \$99-billion deficit projected for this recessionary year but about projected large deficits in years when economic recovery is expected.]

Mr. De Clercq said the finance ministers of the 10 EEC member states will meet in Brussels on Monday to discuss ways of coordinating their reaction to U.S. policy. Western European finance ministers have been making increased efforts to recent months to coordinate interest rate policies in an attempt to reduce European lending rates as far as possible to stimulate business borrowing and counter mounting unemployment. In the latest such move, the Bank of France money market intervention rate was cut Thursday to 14 1/2 percent from 14 3/4 percent. Mr. Pöhl said U.S. success in battling inflation, and the problems caused by high lending rates within the U.S. economy, particularly in the housing sector and among small businesses, suggested until recently that U.S. interest rates might be coming down. But he said, "after the most recent news from the United States, I've become rather skeptical in this regard."

Mr. Pöhl said talks between the United States and Western Europe pursued the goal of "using every available means in the world to reduce lending rates, without at the same time surrendering in the battle against inflation."

He defended Bundesbank policy against charges that its monetary policy was partly responsible for rising unemployment and sluggish growth in the country. Mr. Pöhl said that more domestic growth and lower unemployment can be achieved only through restoring West Germany's "unchallenged" external economic position.

He added that the Bundesbank did not expect big strides toward creating a European Monetary Fund that would assume central bank functions in the European Monetary System, nor an expansion in the use of the European currency unit.

New York Stock Prices Slip On Interest Rate Concerns

From Agency Dispatches
NEW YORK — Prices on the New York Stock Exchange closed lower Thursday under the weight of persistent trader concerns over budget deficits and high interest rates.

The Dow Jones Industrial average, which gained 6.81 points Wednesday, was down 1.99 points to close at 334.67. The average opened fractionally lower and fluctuated narrowly on the downside throughout the session. It lost 17.60 points Monday and 2.86 points Tuesday. Volume on the NYSE was 46.73 million shares, compared with 46.62 million traded Wednesday. Analysts said traders were reacting to Federal Reserve Chairman Paul Volcker's warning Thursday that President Reagan's proposed budget deficits are a hazard to financial markets. Salomon Brothers said Thursday that its economists believe that the deficit of \$91.5 billion forecast for fiscal 1983 will be "significantly surpassed."

The economists, led by chief economist Henry Kaufman, said this is because the assumed rapid acceleration in economic activity is unlikely to materialize.

"The bond and stock markets are mesmerized by interest rates and the budget deficits," Dean Witter Reynolds executive Robert Stowell said. "And the competition of bond yields is too much to enable stocks to launch a significant rally." The federal funds rate banks charge each other for short-term loans was up around the 16 percent level, but the bond market was holding firm with traders calling the high charge an "aberration" before the holiday weekend. The Commerce Department said Thursday that U.S. business inventories fell \$2.09 billion, or 0.4 percent, to \$513.08 billion in December. The December drop followed an increase of 0.7 percent in November and left inventories 8 percent higher than a year earlier. In corporate news, International Business Machines Thursday announced an addition to its Series-I line of small business computers.

What makes TDB exceptional? Our bank in New York, for example.

Republic National Bank of New York — the 29th largest bank in the U.S., in terms of deposits, and still moving up. In fact, our New York subsidiary is one of the fastest growing banks in America today. TDB banks continue to grow because, quite simply, we serve our clients exceptionally well. And we do that in a number of ways. To begin with, at TDB we concentrate on the things we do best, such as trade and export financing, foreign exchange and banknotes, money market transactions and precious metals. Secondly, our clients benefit from TDB's worldwide network of affiliates and correspondent banks. This includes not only the major financial centers, such as New York, London and Paris, but also a number of less familiar places, where our exceptional knowledge of local conditions can be an important advantage for clients. What's more, we keep our back-office systems running abreast of our business. You may not notice this directly, but it shows up in quicker decisions and fewer errors. So if you require exceptional banking facilities in the U.S., or most of the world's other financial centers, TDB Group banks are ready to serve you. TDB Holding Group: US\$10.4 billion in assets; US\$887 million in capital and loan funds employed, as of June 30, 1981. Group banks: Geneva, London, Paris, Luxembourg, New York (Republic National Bank of New York), Athens, Buenos Aires, Chicago, George Town, Hong Kong, Los Angeles, Miami, Monte Carlo, Montevideo, Nassau, Panama City, Punta del Este, Santiago de Chile, Singapore. Representative offices: Beirut, Caracas, Frankfurt, Mexico City, Rio de Janeiro, São Paulo, Tokyo.

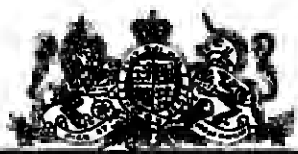
Trade Development Bank
Shown at left, head office of Republic National Bank of New York, U.S. subsidiary of the Trade Development Bank Holding Group. The 29th largest bank in the United States, ranked by order of deposits. Republic is one of America's fastest growing financial institutions.

Dear Shareholder,

The continuing policy of Lonrho is to build the widest geographical spread of active subsidiaries, thereby balancing and protecting the interests of the shareholder who has chosen to invest through the Company. Over the last twenty-one years this has brought a thirty-fivefold increase in earnings per share, substantially outpacing inflation.

The balance sheet is healthy and assets employed in the Group have increased by 23 per cent. to £1,045 million.

Total net borrowings, excluding those relating to our confirming business, have remained at 34 per cent. of total assets employed, which is the same as last year. At the year end cash balances were £136 million. Net current assets stood at £143 million. With acquisitions and the growth of existing businesses, we are now employing 150,000 people. Group turnover was £2,500 million, and profit before tax £121 million.



We have made three major purchases since my last Review. In July we bought 50% of Kühne & Nagel, one of the world's biggest cargo, warehousing and forwarding businesses. Towards the close of the year "The Observer", a Sunday newspaper published in London, was acquired by our publishing subsidiary, George Outram and Co., from Atlantic Richfield of California. We also bought out our partner in Princess Properties International, Mr. D. K. Ludwig of New York, and now wholly own the finest resort hotel in the world, the Acapulco Princess, and its sister hotels.

For the first time we have had to bow to the recession of the economy in Britain and curtail operations at the wholly owned steel making subsidiary, Hadfields, after carrying prolonged and heavy trading and extraordinary losses amounting to £26 million. This has, of course, significantly reduced the net profit after tax in the current year, but you will be glad to read later in this Review that Hadfields continues in business as Britain's only independent steel maker to the drop-forging industry, and is now profitable.

Shareholders will have been puzzled at the decision by the Monopolies and Mergers Commission not to recommend that Lonrho's bid for the House of Fraser be allowed to proceed normally. The Commission decided that the bid was, on the whole, not in the public interest, although by a previous decision in 1979 they cleared the way for Lonrho to build up a 30% bid stake in the equity of House of Fraser. On the other hand, the national Press and the financial Press are unanimous in saying that the Report does not present an adequate argument against our making a bid, and that the House of Fraser shareholders should be allowed to take the decision themselves. We are moving to resolve the stated objections of the Commissioners.

Mining

Metal prices were weaker during the year but higher output helped to offset some of the effect on profits. Total Group gold production was increased to 382,000 ounces. A new gold mine was established at Klipwal which will increase our total gold production still further next year.



The Princess Tower, Bahamas

Good progress has been made with construction work at Eastern Gold Holdings, a major new gold mine in partnership with the Anglo American Corporation. A subsidiary holds a 36% interest in this important venture. Production plans have now been revised upwards to an eventual 390,000 ounces of gold annually.

Last year I referred to plans to exploit a second higher-grade platinum reef. Construction of the new plant for treating this ore is nearing completion and a large increase in production of platinum group metals above the current level of 134,000 ounces is consequently expected from March 1982. Arrangements for refining and selling the additional platinum group metals are largely complete.

Our collieries increased sales by 14% to new record levels of 3 million tonnes of bituminous coal and 602,000 tonnes of anthracite. Construction work on our new anthracite mine has made good progress and output of 600,000 tonnes is projected.

We continue to search for new mining properties. Prospecting has been directed toward precious metals, coal, diamonds and industrial minerals.

Agriculture and Ranching

Due to the strong price of sugar during the early part of the year and

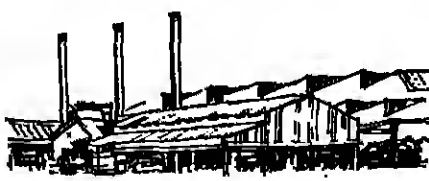
an increase in overall production to over 400,000 tonnes from 65,000 acres, the contribution to profits was substantially ahead of last year and an all-time record.

Both our sugar mills in Malawi and the large factory in Swaziland were working at full capacity. The new sugar project in Benin, in which we have an equity interest and for which we have the management contract, is well advanced and the factory is now being built. We also own three sugar mills in Mauritius.

The success achieved by our operations in irrigated sugar cane in Africa, and especially in the recent Kenana and Dwangwa projects, is becoming appreciated worldwide and consultancy contracts have been offered to us in several new areas including Brazil.

In Zambia we have one of the largest farming companies in the country, which this year grew and sold many thousands of tons of maize, potatoes, wheat and onions, as well as selling cattle and pigs, and supplying some 7 million eggs for the Lusaka market.

In Kenya we have a fully integrated agricultural operation stemming from wattle and its derivatives of tanning extract, charcoal and wood preservative, together with extensive arable farming and ranching activities. All organic waste, straw, feedlot manure and waste wood are utilised in a successful mushroom farm producing 500 tonnes per annum and calling for advanced biological techniques, including spawn production.



The Sucuma Sugar Mill, Malawi

In Zimbabwe we grow coffee, wattle and pines, and run several large herds of beef cattle. The Group's total herd averages 100,000 head, with sales of 20,000 a year.

The Group's tea estates in Malawi were affected by poor weather conditions and the final harvest was the lowest for some years at 4 million kilos.

Hotels

1981 represented another excellent year for Princess Properties International, of which Lonrho now owns 100%, having recently acquired the remaining 50% interest. The Princess Group is pursuing opportunities for worldwide expansion and taking advantage of the excellent reputation it enjoys in the tourist industry.

The new tower addition to the Acapulco Princess will be completed and operational by the late summer of 1982. Additional land has been purchased in Mexico City to complete the hotel and office block site on the magnificent Paseo de la Reforma, and it will represent the most valuable construction site in Mexico.

In the United Kingdom, another poor tourist year has affected the results of our hotels. The modern Birmingham Metropole Hotel achieved a higher profit than forecast, and gained a new record of over six hundred conferences and exhibitions. We are still the foremost Conference and Exhibition Hotel Group in the country, and the continued improvements carried out by our wholly owned builders, Fassnidge Son & Norris, will help to ensure that we retain that position.

The Casino division has grown in the past year under strict management supervision and, when all improvements have been completed, should contribute significantly to your Group's profits.

Motors

As importer for Volkswagen/Audi motor vehicles, our subsidiary V.A.G. (United Kingdom) had a successful year and has surpassed previous figures. It has been a year in which they achieved the highest-ever vehicle sales figure of 83,330 units. With a 5.5% share of the U.K. car market, it became the leading importer of

The continuing policy of Lonrho is to build the widest geographical spread of active subsidiaries

R.W. Rowland, Chief Executive

European cars. We are confident that this trend will continue through 1982.

We also own numerous motor retailing outlets in the United Kingdom through which we sold 20,000 vehicles during the year and increased our share of the British Leyland car market to 5.6%.

We are sole distributors in Britain of Deutz tractors, Fahr agricultural machinery and Taurus powers, which are proving to be most successful.

Jack Barclay, the world's largest distributor of Rolls-Royce and Bentley motor cars, once again made a significant contribution to the results of our motor retailing division. The new Rolls-Royce Silver Spirit, introduced last year, has been well received.

Jack Barclay European has just completed a full year as Volkswagen/Audi dealers. It has made an encouraging contribution to their main business of servicing their customers' Rolls-Royce and Bentley motor cars.

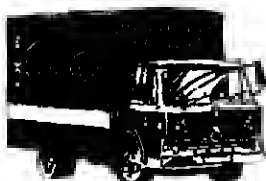


The Volkswagen Golf and Audi Coupe

In East and Central Africa, our motor division suffered from a severe curtailment of import permits due to lack of foreign exchange. In Nigeria we had record sales of 77,500 Yamaha motorcycles and we continued to distribute Mercedes commercial vehicles and Volkswagen motor cars. Overall we sold 216,315 motor vehicles throughout the Group.

Clearing, Forwarding, Warehousing and Cargo

As an international trading company we clear, forward and warehouse on our own behalf. The acquisition of a 50% interest in Kühne & Nagel gives us international capability, with very valuable overseas connections and traditions.



Kühne & Nagel Freight

not been represented.

They have 300 offices worldwide, and almost a century of experience.

John Holt Shipping Services, the leading air cargo handling agents in Nigeria, achieved a record profit increase of 300%.

Aircraft

Our Beechcraft dealership in Africa had a very good year selling 111 aircraft.



During the year we secured from Gates a franchise for Learjet. The Group owns or leases a total of 30 aircraft, including a Gulfstream II and 3 Boeing 707's.

Textiles

Despite the depressed condition of the textile industry, Lonrho Textiles has managed to hold its market position and the "Accord" range is now firmly established as a major brand of co-ordinated bed linen. The Brentfords chain of shops, which aims at a mass market, was expanded during the financial year and by the year-end 56 shops were open, with three more near completion.

Our Lancashire based David Whitehead textile operations have been re-organised and continue to trade profitably. The John Barnes division currently exports 50% of its knitted fabric production to the motor trade in Europe.



Knitting machine at David Whitehead

Our textile companies in Africa have again had a very successful year. In Malawi, David Whitehead increased their production of woven cloth by 17% to 34 million yards, while sales in both the domestic and export markets remained buoyant. An important programme of capital expenditure involving the purchase of over 60 new looms is currently in hand in Zimbabwe.

YEAR AT A GLANCE

	1981	1980
Turnover	£2,456.6m	£2,100.7m
Profit before tax	£120.6m	£119.1m
Profit attributable to Shareholders before extraordinary items	£38.1m	£45.0m
Net-assets per share	186p	171p

Balance Sheet at 30 September 1981

	1981 £m	1980 £m
FUNDS EMPLOYED		
Share capital	65.46	65.22
Reserves	422.71	381.44
Equity interest	488.17	446.66
Minority interests		
Princess Properties International*	99.21	65.16
Other minority interests	113.89	86.16
Deferred tax	75	53
	702.02	598.51
Loans	342.87	249.80
	1,044.89	848.31
ASSETS EMPLOYED		
Fixed assets	669.48	539.86
Associates	189.09	137.13
Investments	43.38	24.69
Net current assets	142.94	146.63
	1,044.89	848.31

*The minority interest in Princess Properties International was acquired on 2 December 1981 for a purchase consideration of £53.30m, giving a surplus on acquisition of £16.91m which will be credited to reserves.

Printing and Publishing

After consideration by the Monopolies and Mergers Commission, Outrams acquired "The Observer" newspaper which is one of the oldest and most respected national Sunday newspapers in the United Kingdom. The Observer is a valuable addition to our newspaper interests, which are extensive in Scotland. As a result of this acquisition, we are glad to have the previous owners, Atlantic Richfield of California, as a 20% partner in Outrams.

Outrams, publishers of the "Glasgow Herald" and "Evening Times", had a double success in winning first prize in the "Newspaper Design Awards" for the best designed morning and evening papers in the United Kingdom. During the year, they also started a new Sunday paper, the "Sunday Standard", the first major newspaper to be launched in Scotland in the past 60 years. The profitability of the newspaper industry has been badly affected by increased newspaper costs and reduced advertising revenues and Outrams have suffered accordingly.



Our provincial newspapers group, Scottish & Universal Newspapers, continue to do well in a difficult market and have launched a number of new free distribution newspapers during the year, bringing the combined circulation to over 578,000 copies a week.

In the United Kingdom our printing companies have continued to invest in new technology for the years ahead.

Our wholly owned subsidiary, Harrisons, printers of postage stamps to many governments, have a new contract with the British Post Office to print substantially all their postage stamps for a further five year term. Harrisons have now been associated with the British Post Office for over half a century.

Daniel Greenaway & Sons, financial and security printers, completed in November 1981 its investment in the most advanced computerised phototypesetting system currently available. Our Report and Accounts this year have been produced on the new system, considerably speeding up the time normally taken to prepare and print.

The performance of our printing and newspaper companies in Africa has generally been satisfactory, although Printpak in Kenya has made losses.

Export Confirming and Broking

High interest and wide fluctuations in international exchange rates have affected the performance of the international financing operations of Balfour Williamson, whose profits were slightly down on last year.

John Holt's export confirming with West Africa has improved with turnover increased by 50% to £81 million after several years in the doldrums.

Our cotton broking firm has traded satisfactorily, handling 44,000 tonnes in a subdued market.

Property

With our wholly owned subsidiaries, London City & Westcliff Properties and A.V.P. Properties, Lonrho owns a portfolio of commercial and industrial properties in England and France which has a value of £65 million.

The gross rental income from these properties is in excess of £5 million and has increased by 9% in the year.

Department Stores

We continue to hold 30% of the House of Fraser department store chain, worth £72 million at current share prices. I outlined the present position in my opening remarks, and I assure you that we will act reasonably and resolutely to bring about a sensible conclusion.

Wines, Spirits and Beers

Whyte & Mackay, Scotland's most popular blended whisky, increased its sales by 21% in the United Kingdom. The John Holt Wine group in the United Kingdom had sales of nearly £70 million. Within this group, Asher and Nephew now operate 313 off-licences, and during the year the subsidiary Jones of Spennymoor began bottling "7-UP" for the Tyne Tees area. The vineyards in the Bordeaux area, Châteaux Rausan-Segla, Smith-Haut-Lafitte, La Garde, de la Tour and Olivier, and our shippers, Louis Eschenauer, are in good heart, and the 1981 vintage will be a good one.

An important occasion in the Bordeaux wine trade is the "Fête de la Fleur" which was for the first time held in the Graves district and the venue chosen was your own vineyard Château Smith-Haut-Lafitte, a signal honour.

In Malawi our breweries produce a traditional African beer which is low in alcohol and high in protein, and sold nearly 13 million gallons. It is planned to build two new breweries to cater for the increasing local demand. The Group also operates a further 17 traditional breweries in partnership with African Governments.

In Nigeria John Holt's Pepsi Cola plant at Kano doubled its profit in its second full year of production at almost half a million cases of Pepsi Cola a month. A second plant came into production during the year at Kaduna.

Our Coca Cola bottling plant in Zambia has had a satisfactory year.

Engineering, Steel and Manufacturing

The trading results of our United Kingdom engineering companies were over-shadowed by the problems at Hadfields in Sheffield. Hadfields are in direct competition with the Government owned British Steel Corporation, which immediately following the steel strike in 1980, supported by Government subsidies, embarked upon a programme of price cutting to win back the market share they had lost.

Proposals for the rationalisation of the engineering steels sector were made by British Steel Corporation in March 1981. However, acceptance of these proposals would have meant the total closure of Hadfields and the loss of 2,600 jobs; proposals which your Board considered cruel. It was therefore decided to start our own re-organisation of the company which was completed in June, and since then Hadfields has been making a contribution to Group profits. The losses which we absorbed before making these cuts were very considerable. We have had no financial or other help from the Government.

The Firstel Group were profitable in the year, with Lightfoot Refrigeration achieving a fine return.

Demand for domestic and office furniture and stainless steel sinks remained at a low level for most of the year. However, a small but welcome increase was evident in the final quarter and this trend has continued into the current year.

Hopkinson, our plumbing factors, continued to expand.

Our engineering and manufacturing companies in Zimbabwe continue to go from strength to strength. W. Dahmer and Zambesi Coachworks are two of the country's leading bus, truck and coach-builders, whilst Crittall-Hope manufacture windows and door frames. In Nigeria we sold 10,000 outboard engines and built 600 glass-fibre workboats.

Pipeline

The Trans-Mozambique pipeline is now ready to operate. During the 1981 dry season, some 80 km of damaged pipe were lifted and repaired or replaced. Negotiations are taking place with the Government of Zimbabwe on the tariff and appropriate revisions of the Concession Agreement and agreement in principle has been reached with the Government of Mozambique.

Conclusion

I know you join the Board in appreciating the hard work and initiative of so very many people who work for Lonrho, and who have built up the strength of the Company to the point where we can yet again be proud in presenting the balance sheet to you. We look forward to next year's problems and successes and we hope you will stay with us as a shareholder!

Yours sincerely,
Tim Rowland

The seventy-third Annual General Meeting of Lonrho Limited will be held at the Great Room, Grosvenor House, Park Lane, London, W.1, on Friday, 2 April, 1982, at 12 noon.

LONRHO

Lonrho Limited, Cheapside House, 138 Cheapside, London, EC2V 6BL.

The text is taken from the Chief Executive's Review contained in the 1981 Report and Accounts which will be published in late-February. Copies will be available from The Secretary, Lonrho Limited, Cheapside House, 138 Cheapside, London, EC2V 6BL.

TV-Tube Plant's Closing Illustrates W. German Electronics Squeeze

By John Tagliabue
New York Times Service

ULM, West Germany — Faded and sagging banners with the word "strike" in German, Turkish and Italian — the languages of the 1,700 people who work here — are all that remain of a protest last month against a decision by Thomson-Brandt, the French electrical company, to close a factory it says is losing \$30 million a year.

The closing of the sprawling one-story building where Videocolor, a Thomson-Brandt enterprise, manufactures 22- and 26-inch television picture tubes illustrates the squeeze in West Germany's once strong electrical industry and the deep penetration of Far Eastern manufacturers into European radio, television and high fidelity.

Indeed, West Germany's domestic television makers — including Telefunken, Grundig and Siemens — have been fighting a rear-guard action for years as the rising cost of products made in high-wage West German factories put a squeeze on profits.

The Rising Yen

Analysts say West German production of color television tubes is typical of what ails the consumer electronics industry at Thomson-Brandt and elsewhere. Production is fragmented at factories that turn out too few tubes to achieve the economies of scale needed to compete effectively with less expensive imports from the Far East.

Last year, despite the yen's sharp rise against most European currencies, prices for 22-inch picture tubes made in Japan dropped 18 percent, helping lift Japanese shipments to Europe to 3.8 million tubes.

Japan supplied roughly 34 percent of the picture

tubes built into European color television sets last year, and in addition they delivered 800,000 complete television sets. West Germany's traditionally open market has been a prime marketing target.

Aside from the plant being closed at Ulm, 10 factories turn out color picture tubes in Europe. Three are owned by Thomson-Brandt, six by Philips, the Dutch electrical company, and one by Standard Elektrik Lorenz, a subsidiary of International Telephone & Telegraph. The capacity of all 10 factories is about 11 million units a year, roughly equal to the demand of the European television industry. Philips is planning to cut the number of its plants from six to two.

The unions asked the Württemberg-Baden government to absorb Videocolor's losses. But officials refused, fearing a precedent might be set. The union leaders recently accepted a \$12.6-million severance agreement with the company. This is intended to ease the blow of unemployment when the plant closes in June.

Thomson-Brandt, protected by French import restrictions, made a series of acquisitions in the late 1970s to exploit the weakness of West Germany's entertainment electronics industry. The company hoped it could gain the economies of scale West German makers lacked by introducing automation and increasing output at a number of plants.

In 1978, Thomson-Brandt paid \$20 million for Norddeutsche Mende Rundfunk, a founding television concern, and two years later it acquired Saba, a manufacturer of television and hi-fi equipment, from General Telephon & Electronics Co.

Also in 1978, Thomson-Brandt and RCA Corp. stepped in with capital and technology to bail out the

Ulm plant, which AEG-Telefunken had built in 1967 to manufacture color tubes for its television sets using the PAL color system, one of the three principal systems in use today. Under Telefunken, the plant suffered from management mistakes and the high cost of production in West Germany.

But disappointment ran deep at Thomson-Brandt when the French executives took a closer look at their West German acquisitions and realized the extent of the difficulties.

The idea was to assemble color television sets at the Mende plant in Bremen, using parts made by Saba. In doing this, the French shut down two unprofitable Mende factories within a year of the takeover, trimming the work force to 1,300 from 5,800. Not long after, hi-fi production at Saba's Friedrichshafen plant was shifted to a low-wage site in Singapore. The number of Saba jobs fell to 2,000 from 5,000.

From 1978 to 1980, Thomson-Brandt invested \$153.8 million in West Germany — more than it did in France — and suffered losses of \$58.1 million.

With the arrival of Thomson-Brandt and RCA in Ulm, the plant was converted from producing 22-inch tubes with Philips technology to 22-inch tubes, where

most future demand is expected to be, using RCA's precision-in-line technology. Labor leaders at Ulm argued that part of last year's loss was due to the cost of retrofitting the plant for the 22-inch tubes.

But Thomson-Brandt concluded that its original plan to increase output at scattered plants would not provide the hoped-for savings. To try to stem its growing losses, the company is going to concentrate its production efforts. Thomson-Brandt announced late last year that it would end color-tube production at three factories — two of them in France at Lyon and Genis and the one at Ulm. Instead, capacity at the large plant in Anagni, near Rome, is to expand from 1.5 million tubes a year to more than 3 million.

Pierre Garcin, the assistant manager of Thomson-Brandt's entertainment electronics division, said production at Ulm could continue if the EEC had agreed to limit imports of Japanese color tubes to two million units a year.

Thomson-Brandt, he said, must try to match the big-scale, automated production methods of such competitors as Hitachi in Japan. "Our only chance of survival now," Mr. Garcin said, "is to resist the Japanese."

COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Britain

	1981	1980
1st Quat.	369	303.5
Revenue	11.9	8.1
Profits	0.0281	0.0177
Per Share		

Imperial Group

	1981	1980
Revenue	4,530	3,930
Profits	56.57	93.90
Per Share	4.128	6.113

Lonrho

	1981	1980
Revenue	2,440	2,100
Profits	180.4	119.1
Per Share	0.144	0.194

Canada

	1981	1980
4th Quat.	402.2	411.3
Revenue	10.3	12.4
Profits	0.58	1.27
Per Share	1.981	1.989

Year

	1981	1980
Revenue	1,760	1,650
Profits	59.4	96.6
Per Share	3.35	5.78

Neth. Antilles

	1981	1980
4th Quat.	1,420	1,460
Revenue	358.71	318.63
Profits	1.24	1.11
Per Share	1.981	1.989

Year

	1981	1980
Revenue	5,980	5,140
Profits	1,265	994.25
Per Share	4.27	3.47

United States

	1981	1980
4th Quat.	584.7	522.8
Revenue	31.1	28.9
Profits	1.13	1.04
Per Share	1.981	1.989

Year

	1981	1980
Revenue	2,180	1,740
Profits	96.9	122.2
Per Share	3.51	4.48

Motorola

	1981	1980
4th Quat.	867.30	790.50
Revenue	41.70	40.10
Profits	1.32	1.57
Per Share	1.981	1.989

Year

	1981	1980
Revenue	3,336	3,086
Profits	175.0	186.1
Per Share	5.56	5.96

Reynolds (R.J.) Industries

	1981	1980
4th Quat.	3,070	2,820
Revenue	177.8	136.9
Profits	1.62	1.22
Per Share	1.981	1.989

Year

	1981	1980
Revenue	11,690	10,350
Profits	767.8	670.4
Per Share	7.83	6.12

Sterling Drug

	1981	1980
4th Quat.	432.3	448.2
Revenue	27.71	29.86
Profits	0.46	0.49
Per Share	1.981	1.989

Year

	1981	1980
Revenue	1,790	1,700
Profits	130.30	123.34
Per Share	2.15	2.04

OEPEC Leader Seeking Talks With Oil Firms

LONDON — OPEC President Mansour bin Ali al-Otaibi is floating the idea of a meeting between OPEC and the major oil companies to discuss falling prices in the oil market, sources said Thursday.

They said that Sheikh al-Otaibi, who is oil minister of the United Arab Emirates, made soundings about it last week but that they understood nothing further had come of it yet. They added that at least some of the oil multinational firms would be receptive to the idea. It would be the first such meeting since 1973.

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6% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1982
5% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1982
5% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1986

Pursuant to Section 3.05 of the Company's Indentures dated as of June 15, 1977, July 1, 1978 and July 1, 1981, respectively, relating to the above, notice is hereby given as follows:

On February 2, 1982 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of February 25, 1982 in Japan at the rate of 1 new share for each 10 shares held.

2. Accordingly, the conversion prices at which the above-mentioned Debentures may be converted into shares of Common Stock of the Company will be adjusted effective as of March 1, 1982, Japan time.

The conversion prices in effect before such adjustment are Yen 1,078.40 for the 6% Convertible Debentures Due August 31, 1982, Yen 1,098.80 for the 5% Convertible Debentures Due August 31, 1982, and Yen 1,112.70 for the 5% Convertible Debentures Due 1986.

ITO-YOKADO CO., LTD.
By: The Bank of Tokyo Trust Company
Trustee

Dated: February 12, 1982

Japan Car Exports Continue to Worry Ford

From Agency Dispatches

TOKYO — Philip Caldwell, chairman of Ford Motor, has said that Japan's trade surplus with the United States in automobiles alone could nearly double to as much as \$25 billion a year and warned that Ford might have to "change our logistics to compete successfully."

Speaking at a press conference Wednesday, Mr. Caldwell said Shintaro Abe, minister of international trade and industry, whom he met Wednesday, agreed with him that Japanese automakers should invest in the United States to create jobs and reduce trade frictions.

He said that even after voluntary Japanese restraints on car exports to the United States end in

1984, "the problem won't go away."

Mr. Caldwell argued that because the U.S. auto market weakens instead of recovering, the restraint program, designed to give the U.S. industry time to rebuild, has not had the effect intended.

"Japanese cars now have 22 percent of the U.S. market instead of the 17 percent to 18 percent that was anticipated last spring," he said, and urged Japan to take this unanticipated trend into account.

Any upturn in overall sales of cars in the United States inevitably would be followed by a downturn, and itself could exacerbate the problem, he added.

"If there is a return to a more normal demand in the United

States and the present percentage of penetration were to be applied to that higher total, it is not difficult to see a massive adverse trade balance for the United States in automobiles alone in the range of \$25 billion," he said.

Mr. Caldwell estimated that the trade imbalance in cars alone accounted for \$13 billion of the total \$18 billion trade deficit the United States experienced with Japan last year.

Asked whether he thought Ford could reduce the cost of producing cars in the United States, he said his company had no intention of withdrawing from the U.S. market, but might have to "change our logistics to compete successfully," apparently suggesting Ford may switch more of its procurement overseas.

Mr. Caldwell disclosed that Ford had purchased \$906 million worth of products from Toyo Kogyo, makers of Mazda autos, and predicted that purchases from the Japanese firm, in which Ford owns 25 percent of the stock, would top \$1 billion this year.

Saudis to Resume Italian Oil Talks

Reuters

ROME — Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, has authorized the resumption of direct negotiations between the Saudi state oil corporation, Petromin, and Eni Nazionale Idrocarburi, the Italian state concern said Thursday.

This followed initiatives by the Italian government, including a visit by Foreign Minister Emilio Colombo to Saudi Arabia, it said.

Petromin suspended a five-year contract with ENI in December, 1979, following Italian press reports of rumored irregularities in commission payments accompanying the deal. The contract with Petromin was never resumed, but Italy has continued to import up to one-third of its total oil requirement from Saudi Arabia through third parties.

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and Advisory Director of our Firm

HENRY STURGIS MORGAN

on Sunday, February 7, 1982

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Chairman and President
of United States Trust Company

as a member of our
Board of Directors

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PESETA (Spain)	15.25 %
DOLLAR (U.S.)	15 %
STERLING (£)	15.75 %
FRANC (French)	18.25 %
MARK (Deutsch)	12.75 %
FRANC (Swiss)	9.5 %

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Financial Highlights 1981

BADISCHE KOMMUNALE LANDESBANK

1981 AT A GLANCE (M)

IN DM MILLION

BALANCE SHEET TOTAL	21,833
DUE FROM BANKS	7,344
SECURITIES	2,126
DUE FROM NON-BANKS	11,276
DUE TO BANKS	7,242
DUE TO NON-BANKS	1,434
OWN BEARER BONDS	11,765
CAPITAL AND RESERVES	507

(*) PRELIMINARY RESULTS AS AT DECEMBER 31, 1981

In 1981, Badische Kommunale Landesbank, Mannheim, one of Southwest Germany's leading banks, continued on a course of measured growth. The balance sheet total rose from DM 20.3 billion to DM 21.8 billion, an increase of 7.6%.

Lending activity accounted for a large part of BAKOLA's growth in 1981. Credit volume, excluding money market operations, advanced by DM 1.4 billion to reach DM 15.4 billion.

BAKOLA bonds were again the primary funding source, with a record DM 4.9 billion issued during the year. The volume of the Bank's own paper outstanding at year-end stood at some DM 12 billion.

The international business of the BAKOLA Group recorded satisfactory gains. Export financing and project financing grew substantially. Commercial banking activities, especially documentary business, expanded considerably over the previous year.

BAKOLA's wholly-owned foreign subsidiaries — Badische Kommunale Landesbank (Switzerland) Ltd., Forfaterung und Finanz AG (FZ), both in Zurich, and Badische Kommunale Landesbank International S.A. in Luxembourg — made important contributions to the Group's progress in 1981. A representative office was opened in London.

Badische Kommunale Landesbank is a regional universal bank linked to Germany's powerful network of savings banks and performing centralized functions for Baden's Sparkassen.

For further information, just contact:

Badische Kommunale Landesbank — Girozentrale — Augustaanlage 33, D-6800 Mannheim 1 (West Germany) Telephone: (06 21) 458 467

BADISCHE
KOMMUNALE LANDESBANK
GIROZENTRALE

Badische Kommunale Landesbank · D-6800 Mannheim 1 (West Germany)

Tables include the nationwide prices up to the closing on Wall Street.

[illegible][illegible]

12 Month	High Div.	In 2 Yld	P/E	Sta.	High Low	Close	Open
2079	1494	DE	2079	272.72	18	1794	1794
2080	1494	DE	2080	272.72	18	1794	1794
2081	1494	DE	2081	272.72	18	1794	1794
2082	1494	DE	2082	272.72	18	1794	1794
2083	1494	DE	2083	272.72	18	1794	1794
2084	1494	DE	2084	272.72	18	1794	1794
2085	1494	DE	2085	272.72	18	1794	1794
2086	1494	DE	2086	272.72	18	1794	1794
2087	1494	DE	2087	272.72	18	1794	1794
2088	1494	DE	2088	272.72	18	1794	1794
2089	1494	DE	2089	272.72	18	1794	1794
2090	1494	DE	2090	272.72	18	1794	1794
2091	1494	DE	2091	272.72	18	1794	1794
2092	1494	DE	2092	272.72	18	1794	1794
2093	1494	DE	2093	272.72	18	1794	1794
2094	1494	DE	2094	272.72	18	1794	1794
2095	1494	DE	2095	272.72	18	1794	1794
2096	1494	DE	2096	272.72	18	1794	1794
2097	1494	DE	2097	272.72	18	1794	1794
2098	1494	DE	2098	272.72	18	1794	1794
2099	1494	DE	2099	272.72	18	1794	1794
2100	1494	DE	2100	272.72	18	1794	1794
2101	1494	DE	2101	272.72	18	1794	1794
2102	1494	DE	2102	272.72	18	1794	1794
2103	1494	DE	2103	272.72	18	1794	1794
2104	1494	DE	2104	272.72	18	1794	1794
2105	1494	DE	2105	272.72	18	1794	1794
2106	1494	DE	2106	272.72	18	1794	1794
2107	1494	DE	2107	272.72	18	1794	1794
2108	1494	DE	2108	272.72	18	1794	1794
2109	1494	DE	2109	272.72	18	1794	1794
2110	1494	DE	2110	272.72	18	1794	1794
2111	1494	DE	2111	272.72	18	1794	1794
2112	1494	DE	2112	272.72	18	1794	1794
2113	1494	DE	2113	272.72	18	1794	1794
2114	1494	DE	2114	272.72	18	1794	1794
2115	1494	DE	2115	272.72	18	1794	1794
2116	1494	DE	2116	272.72	18	1794	1794
2117	1494	DE	2117	272.72	18	1794	1794
2118	1494	DE	2118	272.72	18	1794	1794
2119	1494	DE	2119	272.72	18	1794	1794
2120	1494	DE	2120	272.72	18	1794	1794
2121	1494	DE	2121	272.72	18	1794	1794
2122	1494	DE	2122	272.72	18	1794	1794
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2124	1494	DE	2124	272.72	18	1794	1794
2125	1494	DE	2125	272.72	18	1794	1794
2126	1494	DE	2126	272.72	18	1794	1794
2127	1494	DE	2127	272.72	18	1794	1794
2128	1494	DE	2128	272.72	18	1794	1794
2129	1494	DE	2129	272.72	18	1794	1794
2130	1494	DE	2130	272.72	18	1794	1794
2131	1494	DE	2131	272.72	18	1794	1794
2132	1494	DE	2132	272.72	18	1794	1794
2133	1						

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Since mid-summer lows, our editors have been bullish, and virtually alone, for most sectors have been bearish. Our optimism has been sustained, not only by the upswing in the Dow, but by the programmed pivots of major banking houses, most of whom are out of step with fiscal events. Last week, one of the better known sources of Zurich advised clients to stay in bonds and equities, and to favor the purchase of protective hedges. The rationale was the dictum of rationality, by buying into strength and selling into weakness. It is a matter of record that when the "mifty-fifty" U.S. growth stocks (among them AVON and XEROX) were selling at exorbitant price-earnings ratios, investment firms called every uptick as feverishly as they called for pursuing the glut. It is also axiomatic that the same firms were dumped, earlier, and only after, they sagged to realistic prices.

The doctrine of natural selection and survival of the fittest applies not only to Darwinian doctrine, but to Wall Street. The stock market reifies these ruthless economic cosmic master-minded by the Power Elite, refusing to buckle to honest projections. Our readers are constantly urged to buy into weakness, and sell into strength. Our current report recommends overvalued blue chips, featuring a company, that has no debt, owns \$650 million a share, and may be gobbled up by a company that has a share price above current trading levels. On a more speculative note, we discuss two low-powered natural resource companies, each of which could escalate so dramatically as DENISON MINING \$25, an equity that once sold in "anonymity" under \$1 a share. For your complimentary copy of this report, write to:

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(Continued on Page 11)

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Closing Prices, Feb. 11, 1982

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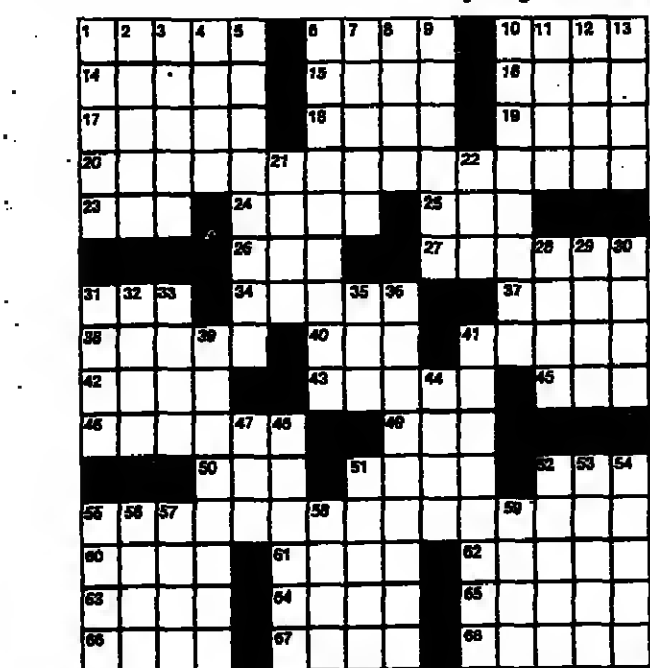
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CROSSWORD — Edited by Eugene T. Malesha



ACROSS

- 1 Scarecrow
6 Uninteresting
10 Kind of liquor
14 Climbing
15 plane
15 Cantrell or
16 Turner
16 Sewing box
17 "Wind in the
Willow"
18 character
18 One of the
Aleutians
19 Hawaiian
volcano
20 goddess
20 Midnight
22 Warlocks and
witches
24 Antiaircraft
missile
25 Thru: Fr.
26 Star for
Gulley
27 Talk back
31 Iranian town
that sounds
explosive
34 Goral's
relative
37 Decorated
metalware
38 "I loved—"
"—Wither
40 Prefix with
borough
41 Subject of a
Burns poem
42 Acapulco
order
43 Rhubarb
45 Roman
guardian
spirit
46 "High—"
Bogart movie

DOWN

- 1 One of the
deadly sins
2 Church
offering
3 Child
4 Once more
5 Caution
in wickerwork
7 Shaping
machine
8 Prefix with
body
9 What a
poltergeist
10 Faust's fiend,
for short
11 Polynesian
god
12 Humdinger

DOWN

- 13 Pinafore
21 Weary
22 Thirsty
23 Spirit
25 Lonesome
30 Crystal gazer
31 Scary winged
mammals
32 Russian
narrative
33 Medieval club
35 Gelsen, for
one
36 One-time
Salem activity
39 Black-magic
practitioner
41 They hang
around idly
44 Loyal
47 —Dashen,
highest
Tibetian peak
48 Protection
against
51 Cleaner's
concern
52 Horn
53 Branch used
in wickerwork
54 Like
inflationary
prices
55 Kind of bag
56 Island in the
Caribbean
57 Flat part of a
feather
58 Unmixed
59 Respond to a
shaman's
efforts

DOWN

- 1 French
vineyard
20 English
university's
river
31 Avoid
32 Lorraine
variety
33 Kicks the
buckler
34 Jungle noise
35 Oahu feast
36 Like a Poe
37 James II
daughter
38 Moran of
"Happy
Days"
39 Rajah's wife
40 Noted film
producer
41 Caterpillar's
home
42 Eat noisily

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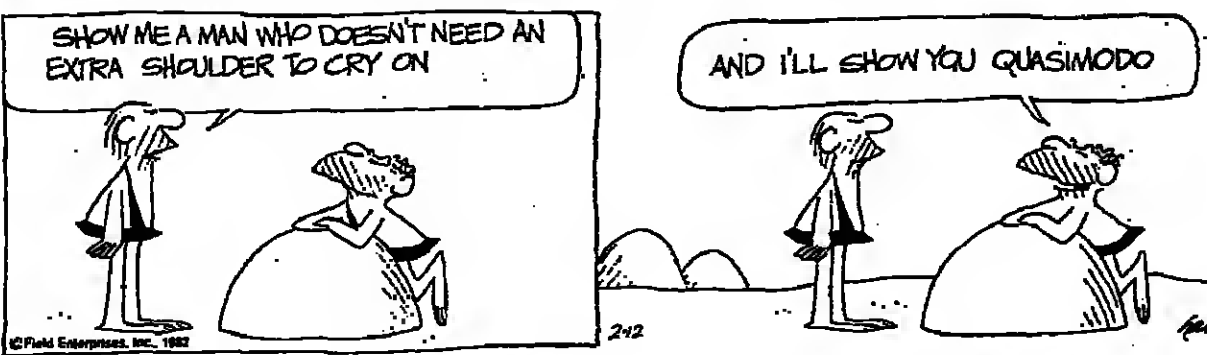
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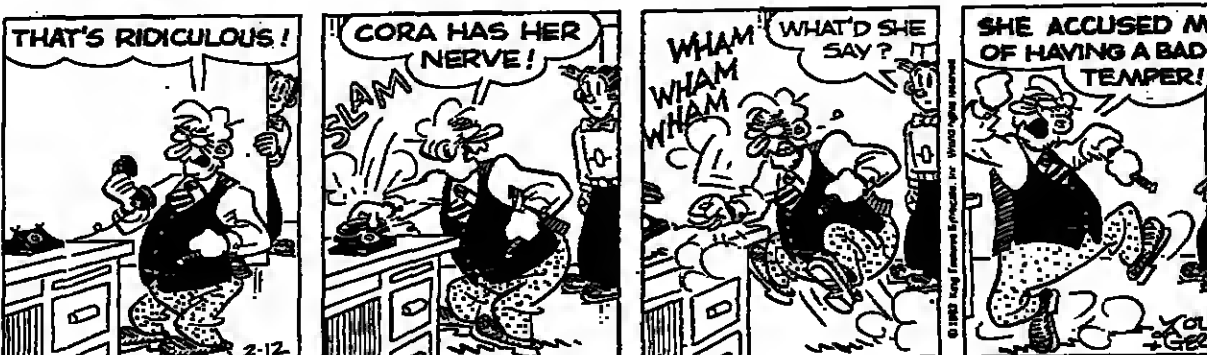
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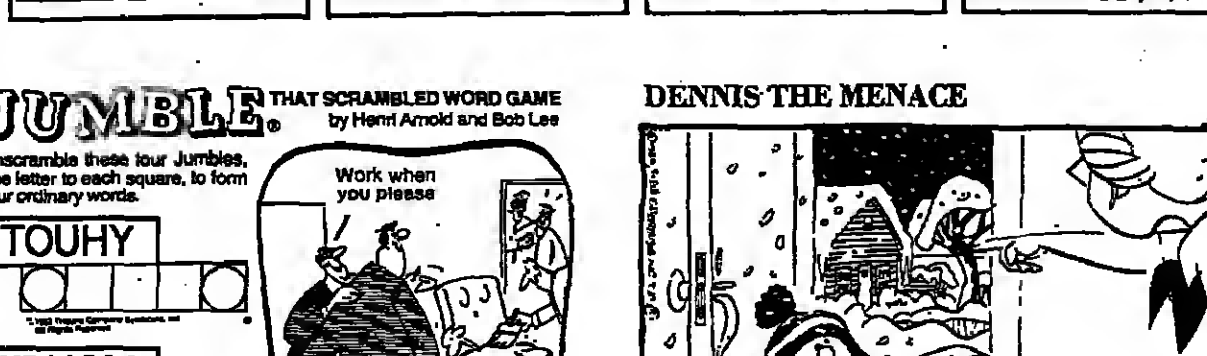
REX MORGAN



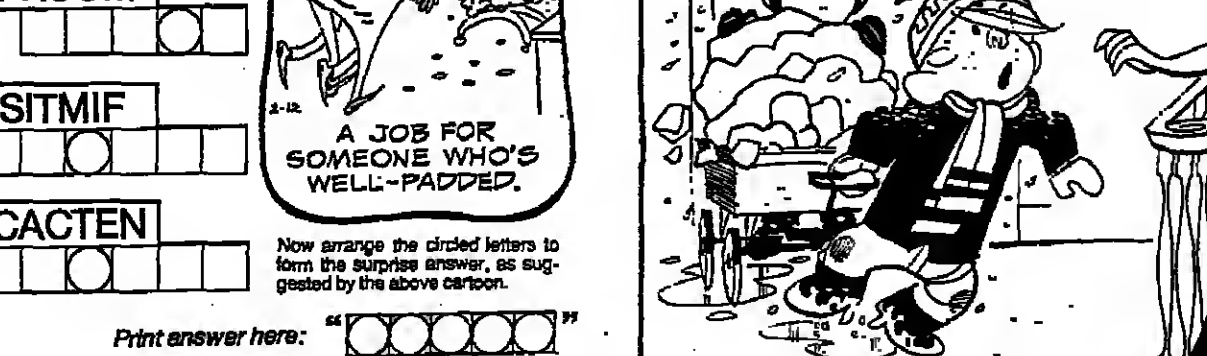
DOONESBURY



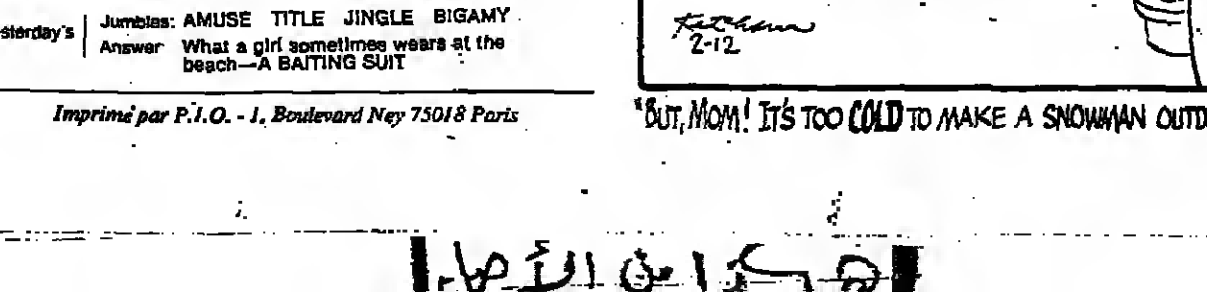
JUMBLE



Dennis the Menace



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By William B. Quandt. 190 pp. \$22.95; paperback, \$8.95.

The Brookings Institution, 1775 Massachusetts Avenue, N.W., Washington, D.C. 20036

Reviewed by William R. Polk

DAVID Holden and Richard Johns present a detailed history of the ruling family of Arabia which they call "The House of Saud." David Holden was, until his mysterious death in Cairo four years ago, the chief correspondent for the London Sunday Times and widely regarded as one of the best journalists operating in the Middle East. His unfinished task was taken up by Richard Johns of the London Financial Times who, while lacking Holden's long exposure to the Middle East, has made the more modern issues of oil and money his special concern. The division of tasks and styles shows in the book and leaves it, while full of fascinating detail, without a clear focus. Of the three, however, it is the one anyone visiting Saudi Arabia would find most useful; of the three it is perhaps the most pessimistic on the future of the regime.

Lacey's book is more interestingly written. Less a history than "The House of Saud," it has some of the virtues of a small-town newspaper, full of gossip that makes its characters seem, if not exactly like the folks down the street, at least recognizably human. But more attractive is his ability to put into a paragraph or two the essence of fairly complex issues like the source of wealth of the Saudi royal princes, the change of oil prices, the issue of corruption in Saudi Arabia and the Palestine issue as the Arabs see it. Even better are his short and witty portraits of Saudi Arabia's leaders. He achieves a surprising balance between sympathy and criticism. While freely discussing the wild youth of Faisal, for example, and showing some of his failures and mistakes, Lacey finds in him elements of greatness. His discussion of Sand, the black-sheep king, is especially humane and insightful in crediting the fallen king for his role in beginning educational and welfare programs while also documenting his incompetence and wastefulness. These portraits, "warts and all" are not in the Arab tradition, and Lacey mentions, almost casually, that his book is banned in Saudi Arabia "on the basis of eighty-two objections," but in it, the Saudis emerge more understandable and more likeable than they have appeared before even in books they commissioned.

Will Saudi Arabia survive? As I mentioned before, Johns is pessimistic. He ends his book with an observation by an earlier observer of the old Arabia on the ruins of the first Saudi capital, al-Riyadh. The words, he says, rang true to him in 1981: "Wahhabism was in ruin. The capital, bigger, wealthier and richer in palaces than any town in Central Arabia, had been before. Saudi was witness of a ruin that was greater, immeasurably greater, than that first ruin because this time the ruin was spiritual."

But the kingdom is still in being," writes Johns. Quandt is less impressionistic but also less clear. Having noted all the predictable dangers, points, he says that "one should resist the temptation to try to predict how long the Saudi regime will remain in power. Suffice it to say that the regime will be obligated to change, to adapt, and to improve if it is to continue."

Finally, Lacey gives what might be regarded as a Saudi answer: the world and its wealth are transitory. All comes from and returns to God. And in daily experience, the desert, even with its privation and poverty, offers a solace difficult for those who have not known it to appreciate.

"This is where they have come from. The desert is the source of everything they hold dear — their religion, their code of honor, their ancestry, their black gold — and regulate the inhabitants of the kingdom. The modern pyramids their riches are creating to the bleak void that they find so consoling." There, the Saudis like to say, their ancestors returned after having conquered half the known world in the 7th century, and to the desert they could again return if this great oily bubble of theirs explodes.

William R. Polk, author of "The United States and the Arab World" and "The Elusive Peace," is director of the Center for Middle Eastern Studies of the University of Chicago and a member of the Policy Planning Council in the Kennedy administration. He wrote this review for The Washington Post's Book World.

BRIDGE

By Alan Truscott

IN the diagrammed deal West led the heart ace and continued the suit in response to a violent signal by East with the king. South ruffed the third round and had to consider what to do after cashing the A-K of spades. East cunningly dropped the two of spades and then the ten, hoping to suggest that this suit would divide evenly.

If South had believed this, he would have cashed another trump winner and gone down to defeat. But he saw that he could make the game against nearly all distributions if he now played clubs. East ruffed the second round, but could do nothing since a trump remained in dummy to deal with another heart lead. The only danger for South was that East had begun with five hearts and three trumps, in which case both defenders would score a trump trick.

Neither side was vulnerable. The bidding:

South: 1♠, 2♥, 3♠, 4♠, 5♠, 6♠, 7♠, 8♠, 9♠, 10♠, 11♠, 12♠, 13♠, 14♠, 15♠, 16♠, 17♠, 18♠, 19♠, 20♠, 21♠, 22♠, 23♠, 24♠, 25♠, 26♠, 27♠, 28♠, 29♠, 30♠, 31♠, 32♠, 33♠, 34♠, 35♠, 36♠, 37♠, 38♠, 39♠, 40♠, 41♠, 42♠, 43♠, 44♠, 45♠, 46♠, 47♠, 48♠, 49♠, 50♠, 51♠, 52♠, 53♠, 54♠, 55♠, 56♠, 57♠, 58♠, 59♠, 60♠, 61♠, 62♠, 63♠, 64♠, 65♠, 66♠, 67♠, 68♠, 69♠, 70♠, 71♠, 72♠, 73♠, 74♠, 75♠, 76♠, 77♠, 78♠, 79♠, 80♠, 81♠, 82♠, 83♠, 84♠, 85♠, 86♠, 87♠, 88♠, 89♠, 90♠, 91♠, 92♠, 93♠, 94♠, 95♠, 96♠, 97♠, 98♠, 99♠, 100♠.

Remember When John Thomas First Hit 7 Feet

By Dave Anderson
New York Times Service

NEW YORK — At the time John Thomas kept his hernia a secret because he didn't want anybody to consider it as an excuse if he did not win the 1964 Olympic high jump in Tokyo.

"There was another reason, too," he said with a smile. "I didn't want to be sent home to Boston."

John Thomas will be honored Friday night at the Millrose Games in New York for having provided the most thrilling moment in the meet's 75-year history with the first indoor 7-foot high jump in 1959 when he was a 17-year-old Boston University freshman. But now he was talking about the secret he has kept for nearly 18 years. Some of his friends knew about the hernia, of course. So did the Olympic coaches and the medical staff. He had slipped on some wet grass while jogging when the U.S. track and field team was training in California before leaving for Tokyo.

Setting for Silver

"We just kept it low key," he said. "I got a truss made, but I kept jumping like nothing ever happened."

The day of the Olympic high jump, Thomas and Valery Brumel of the Soviet Union tied at 7 feet 1 1/4 inches but Brumel was awarded the gold medal because of fewer misses on the way to that height. The

slender American had to be consoled with the silver medal.

"I remember when I was finished jumping, a Japanese man noticed me taking off my truss," he said. "But other than that, I don't think anybody was aware of it. And then I went to Australia to jump before coming home and having an operation that kept me out of competition for a year. Nobody seemed to connect the operation with the Olympics."

In those years, Thomas and Brumel were the world's most famous high jumpers. "We still stay in touch," Thomas said. "He's a playboy in Moscow now. He's also written a couple of books and he's done a film on his life. He still has a bum leg. He hurt his leg when he got caught under a motor scooter. He's not really disabled. He just walks like anybody with a bum leg."

John Thomas has a bum left foot. It was crushed in a dormitory elevator accident a few weeks after his Millrose moment.

"None of the bones were broken but everything else inside was torn up," he recalled. "I had jumped 7-1 1/4 the week before I got hurt and then I couldn't walk for 10 months. The same doctor who did my hernia operation, Dr. Chester Howe, reconstructed my foot. By the next year I was all right. The elevator had nothing to do with what happened at Rome."

Of all the American athletes in the 1960 Rome Olympics, Thomas was considered

the surest bet for a gold medal. Then the holder of the world record at 7-3 1/4, he had bettered 7 feet 37 times. But he finished third, behind Robert Shavlakadze of the Soviet Union and Valery Brumel.

"Everybody was trying to come up with an alibi for me," he said. "Some people wondered if I'd been bothered by the new shoes. I was wearing, but the new shoes were fine. Some people wondered if I'd been sick, but I wasn't sick. I was just nervous like always was. Some people wondered if I'd been drinking too much Coke, but nobody drank the water in Italy then and I hadn't been drinking any more Coke than I usually did, or any less. Losing didn't bother me but what did bother me was a lot of the people who were around me suddenly disappeared."

The Positive Side

What also bothers him now, more than 20 years later, is that many people remember him more for not having won that gold medal in Rome than for all the records he set.

"Even to this day, people make comments about what happened in Rome," he said. "All they remember is that I was beaten by a Russian, but I think it bothered those people more than it bothered me. I always talk about that positive. Some people think not winning the gold medal in Rome is a sore spot with me, but it isn't."

John Thomas, the father of four children,

is a salesman for the New England Bell Telephone Co. now.

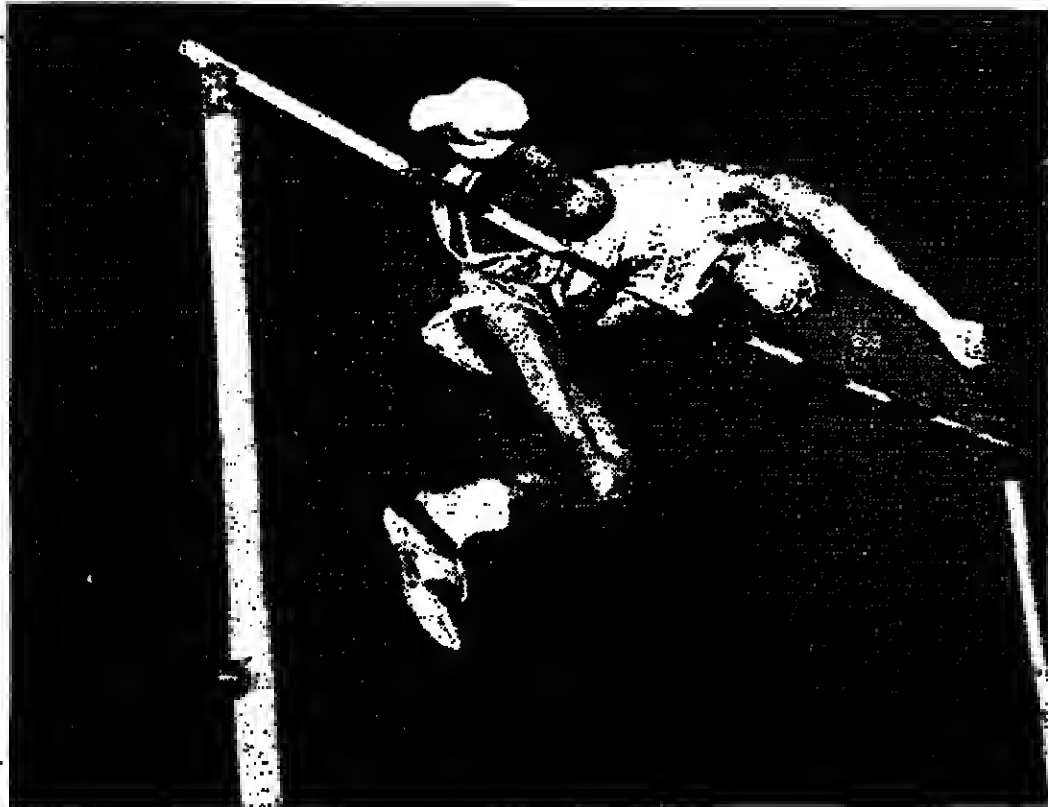
"I was about 190 pounds when I was competing, 186 at the lowest, but I'm a svelte 235 now," he said. "Even so I can still jump a little. Some of the kids I coach were wooling the old master last summer so I did 6-6, that kept them quiet for a while."

Gerd Wegig of East Germany holds the world record now at 7-8 1/4, set at the 1980 Moscow Olympics, but John Thomas believes that sooner or later somebody will soar 8 feet.

"It'll have to be somebody who's at least 6-4, maybe 6-6, somebody tall and really athletic," he said. "Somebody that tall, if they can jump just a foot over their head, that puts them at 7-4 or 7-6 right there. Look at Frankie Jacobs, he jumped 23 inches over his head, nearly two feet. I'm almost 6-6, if I could have jumped anywhere near that high over my head, I would have cleared 8 feet. That's the way you have to look at it — how high you can jump over your own head. But it won't be done by a fly-by-night guy. It'll have to be somebody who's really trained, who's really an athlete."

When the John Thomas High Jump begins Friday at the Millrose Games, the competition will begin at around 7 feet.

"Back when I was jumping, they started at 6-4," he said with a laugh. "But that height is just for practice now."



John Thomas clearing 7 feet 1 1/4 inches — then a record — at the National AAU championships in New York in February, 1959, not long after he became the first to break the indoor 7-foot mark.

Stenmark — Sweden's Silent Skier Who's Only the Best at What He Does

By Nick Stout
New York Times Service

SCHLADMING, Austria — Ingemar Stenmark glided straight ahead, across the crowded interview room far beyond the person who was questioning him. Except for the freckles, his face could have been stone. His hands were folded and trembling.

What did he see out there? Beyond all those people. Beyond the world slalom championship that he had just won for the third successive time. Beyond the various cups and trophies that were yet to come. "I don't know," Stenmark said quietly. Full stop. Next question.

Shy in a Crowd

Stenmark is a skier, not a talker. He has always dreaded the public appearances that go with the sport and which have become especially difficult since he has become a star.

Almost 26, he is two and a half months older than Bjorn Borg, and there must be some Swedish empathy between them even if the two are, according to Stenmark, little more than acquaintances.

In Europe, at least, Stenmark has suffered the same public harassment that has drawn Borg into seclusion. Like Borg, Stenmark is recognized in public. He has had to cope with an explosion of publicity over a woman friend after spending the early part of his career conspicuously single. And, at the recent World Alpine Skiing Championships here, someone sent a death threat.

"It's difficult at times," Stenmark said. "But worth it."

Stenmark descended from the near-Arctic town of Tarnaby, a resort near the Norwegian border where Swedes go to fish and hike and ski. The hills were low and

the days short but it was always fun to zig-zag through the snow after school. Stenmark became so good at it that by the time he was 15 there was little doubt in his mind that ski racing would dominate his life. Now in his eighth World Cup season, Stenmark has long since surpassed the milestones of his peers and predecessors.

His crystal globes are many, and if they do not depict the future they do ensure a comfortable retirement, après-ski.

"You can say he is set for life," said Bjorn Wagnsson, Stenmark's agent and lawyer who was with his client here for the world championships. Wagnsson said he has helped Stenmark negotiate 26 commercial contracts, many of which extend far beyond his days as an athlete. Wagnsson also represents several National Hockey League players. "I don't want to talk about money," he said. "But I can tell you this: Stenmark earns more than any of my hockey players."

Like Borg, Stenmark lives in Monte Carlo, away from the mobs and away from the Swedish tax collectors. For, unlike most World Cup ski racers, who are officially amateurs, Stenmark receives his money over the table rather than under it.

Anonymous Amateur

Normally, national ski associations receive funds from a pool of equipment suppliers and then reward individual skiers according to merit. But two years ago the Swedish Ski Federation consented to grant Stenmark a B license, which meant he could personally accept money from sponsors without losing his amateur status for World Cup racing.

At the time, Stenmark accepted that he would be a professional under Olympic standards and therefore probably not eligible to compete in 1984. But the International Olympic Committee has since indicated that decisions on Olympic eligibility

might be left to the individual sports federations. That would appear to open the Olympic door again for Stenmark because the International Skiing Federation has sanctioned B licenses and has indicated that it would not block Stenmark's entry into the Games.

Asked for his reaction to this turn of events, Stenmark said simply: "It doesn't matter."

What does matter, now that his finances are in shape, is the continued challenge of skiing and winning.

Building a Reputation

On Dec. 17, 1974, in Madonna di Campiglio, Italy, Stenmark won his first World Cup race in a way that was to become his trademark. He finished the first leg of a slalom race in 23d place and then made up the lost time in the second leg to beat a local favorite, Paolo de Chiesa. In the winters to come he would often find himself trailing after the morning half of a race, only to tear up the course in the afternoon and win. One time in Japan Stenmark fell on his back twice during the first leg of a giant slalom race but was still able to make up the lost seconds and win.

During the first World Cup winter Stenmark won four more times and came within five points of Gustavo Thöni for the overall championship. The following season Stenmark claimed the title for himself. He won again the next year, and the next.

Stenmark rarely lost a slalom or giant slalom race during this time. It was news when he did. If all this was exciting to the Alpine aficionados, it did not set well with the World Cup people, who were annoyed that their championship was always regarded as a foregone conclusion.

The situation prompted the reorganization of the "scoring" system, that "has deprived Stenmark of a World Cup cham-

pionship ever since, even though he has not stopped winning races. The idea was to disregard the way in which skiing has become specialized in the past decade and to encourage a new Jean-Claude Killy, someone who was equally proficient in all events: slalom, giant slalom and downhill.

To do this, the World Cup people reinitiated the combined, a paper race based on all three disciplines. And they made a victory on paper worth as much as a triumph on snow.

So in the winter of 1978-79 the overall championship went to Peter Luescher of Switzerland. His unfortunate nickname was Peter Loser, because he won only one race on snow all season.

Stenmark tried to adapt himself to downhill, but when he suffered a concussion in a training accident he put the idea aside. He tried again later, this time making it down the treacherous course in Kitzbühel. He earned some combined points but was not proud of finishing two seconds behind the winner. He never tried again, apparently content to be the best at what he did regardless of what the officials thought.

Last Jan. 9, Stenmark won a giant slalom race in Morzine, France, and thereby became the most successful racer in World Cup history. Even though he had long been the leader among the men, having topped Thöni's record of 24 victories on Jan. 6, 1978, Stenmark needed that 63d victory to surpass Ammann-Moser-Proff. Then he kept winning: Three more World Cup races, a gold medal in the world championships and, on Tuesday, another World Cup triumph.

The world championships were special. Having gained some retaliation by publicizing his lack of interest in the World Cup title, Stenmark was eager for championship medals to the point of obsession. In 1978 he swept the gold medals in sla-

lom and giant slalom, silencing critics who had been wondering aloud whether he could win a "pressure race" after failing in the 1976 Olympics. He defended those titles in the 1980 Games and now they were on the line again. Still uncertain about the 1984 Olympics, Stenmark knew the 1982 world championships might be his last big event.

Rapid Gates

Instead of coming straight to Schlading he holed himself in Italy. He worked hard on mastering the relatively new "rapid gates," the flexible slalom poles that collapse flat against the snow when hit by a skier and then spring back up. They require a different technique, a straighter line down the course. Last month in Wengen, Switzerland, Stenmark's tip was bleeding as he crossed the finish line because a pole had snapped back up in his face. It was the only time in which his chief competitor, Phil Mahre, clinched the World Cup title for the second year in a row.

It was Phil Mahre who worried Stenmark most as he entered the world championships. So when he lost the giant slalom race not to Phil but to his twin brother, Steve, Stenmark regarded the silver medal as a personal humiliation. He left town quickly and started practicing again.

Four days later he accomplished his mission with a convincing slalom victory. Now, still wearing his heavy ski boots, he was facing the press, nervously doing his best to accommodate his inquisitors. His remarks — in Swedish and in German and in English — were usually short and to the point. Then he said, as an afterthought, to no one in particular, "The only thing I'm sure of is that I won a gold medal today." Beyond that, nothing seemed to matter.



Ingemar Stenmark shows off the gold medal he won in slalom Sunday at the World Alpine Skiing Championships in Austria.

23 Yankees Show Up for Early Spring Camp

New York Times Service

FORT LAUDERDALE — With their best looking on, 23 Yankees sweated Wednesday through the first day of the early spring party to which they had been invited.

George Steinbrenner, the principal owner, had extended the invitations for an early camp despite a baseball rule that limits them. But none of the players who accepted

complained. The early camp was prompted by the Yankees' loss to Los Angeles in the World Series last October.

"Hopefully, we'll win it this year," said Dave Collins, Steinbrenner's latest free-agent acquisition, "or we'll be back in camp in October."

Collins was joking, of course. Steinbrenner, when told of the remark, also laughed. "Would all half-milers?" Ron Guidry announced, alluding to the appearance created by everyone in sweat-soaked uniforms, "report on the outside of the stadium!"

Guidry, working under a new four-year contract, had been expected to report a day late, but he was here with the rest of the group. Five other pitchers, three catchers and four infielders: Collins, Bucky Dent, Tucker Ashford and Andre Robertson.

Four other invited guests, Tommy John, Rick Rasmussen, Bill Carmin and Ben Callahan, were not present. John and Rasmussen are engaged in contract disputes with the Yankees. Carmin and Callahan are expected after attending to personal matters.

Dent, the shortstop who pronounced his right hand fit after surgery last September, said he was here because "they asked me to come here."

"I don't have any bad objections," he said. "The only thing is, being an everyday player, I don't want to hurt myself with eight weeks of camp. I'm not going to overwork myself. I'll do what I have to do to get ready for the games."

Under the rules of the collective bargaining agreement between the owners and players, March 1 is the official reporting date for spring training, although pitchers and catchers can be invited to report "at an earlier date."

Request, Not Command

Steinbrenner sent his players a letter last December asking pitchers and catchers to report on Feb. 9 and the rest on Feb. 16. Some players viewed the letter as intimidating, but last week a second letter was sent, and it stressed that the first had constituted only a request and not a command.

Collins said he had been asked to report with the pitchers and the catchers, even earlier than the Feb. 16 date for infielders and outfielders, so that he could work out at first base, a position he has not played since 1979, when he was there for 10 games. After last sea-

son Collins left the Cincinnati Reds' outfield to join the Yankees infield.

"It really doesn't bother me," said Collins, putting on his sweat-soaked at the locker previously occupied by Reggie Jackson. "It just gives you some extra time to get ready. But you have to make sure you don't burn yourself out."

Rich Gossage, the relief pitcher, was one of those players who found their arms and legs covered with blue foam from the sweat-soaked uniforms. But he had no complaint about the fuzz or the workout.

No Need to Rush

"He pays the paycheck; I'll do anything he wants," Gossage said of Steinbrenner. "I kind of like coming down here early. That way I don't have to rush into things. I have a history of rushing into things, and I've gotten hurt. I was looking forward to this. I love Colorado, but it's so cold there, why not come here early? I've always gone along with things George wants to do. Sometimes you think he's crazy, but that's better than having an owner who doesn't care. I've had that, too."

Randy May, whom the Yankees traded to trade to Kansas City in the offseason, said he was here because "I was told to come now."

"If you knew you didn't have to be here until March 1," May said, "but you were being paid well and your boss is like George, would you back him?"

NBA Standings

Eastern Conference Atlantic Division

	W	L	Pct.
Boston	24	12	.667
Philadelphia	24	14	.630
Washington	24	16	.600
New Jersey	22	18	.550
New York	22	19	.538

Central Division

	W	L	Pct.
Atlanta	21	22	.489
Indiana	19	24	.440
Chicago	20	23	.465
Cleveland	19	24	.440

Western Conference Midwest Division

	W	L	Pct.
San Antonio	22	17	.565
Houston	22	18	.550
Denver	22	18	.550
Utah	21	19	.524
Kansas City	21	20	.512

Pacific Division

	W	L	Pct.
Los Angeles	24	14	.630
Portland	22	17	.565
Golden State	22	18	.550
Phoenix	21	19	.524
San Diego	21	20	.512

Western Conference's Results

	W	L	Pct.
Washington 17d Dallas 10d (Portland 2d, Dallas 2d, Phoenix 2d)	24	14	.630
Portland 17d Dallas 10d (Portland 2d, Dallas 2d, Phoenix 2d)	24	14	.630
Portland 17d Dallas 10d (Portland 2d, Dallas 2d, Phoenix 2d)	24	14	.630
Portland 17d Dallas 10d (Portland 2d, Dallas 2d, Phoenix 2d)	24	14	.630



Ozzie Smith

Cards Complete Templeton-Smith Deal With Padres

United Press International

ST. LOUIS — The St. Louis Cardinals officially traded Ozzie Smith to the San Diego Padres on Thursday for shortstop Ozzie Smith. The deal came after a meeting between Smith, his agent and Cardinals' officials and ended two months of back-and-forth discussions between the two sides.

The trade had first been proposed during baseball's winter meetings in December, but Smith had invoked a no-trade provision in his contract to block the deal.

Smith, who had played for the Padres for the last four years, said that he finally decided to waive the no-trade clause as part of an agreement worked out between his agent, Ed Gottlieb, and Lou Luskman, attorney for Cardinals President August A. Busch Jr.

The agreement will allow Smith to file for special arbitration, seeking a one-year, \$750,000 contract while the Cardinals will offer him a \$450,000 salary.

Transactions

BASEBALL
BALTIMORE ORIOLES—Traded a player to be named later to the Cincinnati Reds for Paul Molitor, pitcher, Steve Davis, POF, pitcher; Barry Davis, OF, and Bob Senner, OF.
CHICAGO WHITE SOX—Signed Dennis Lemus, pitcher, to a one-year contract.
CINCINNATI REDS—Signed Paul Molitor, pitcher, to a one-year contract.
NEW YORK METS—Traded Alex Trevino, OF, and Jim Kattis and Greg Harris, pitchers, to the Cleveland Indians for George Foster, OF, and Steve Nolasco, POF, to a five-year contract.

BASKETBALL
NATIONAL BASKETBALL ASSOCIATION
MILWAUKEE BUICKS—Waived Mike Evans, SF.
SEATTLE SUPERSONICS—Activated Armond Hill, guard.

FOOTBALL
NATIONAL FOOTBALL LEAGUE
PITTSBURGH STEELERS—Announced the retirement of Joe Greene after five years.

McEnroe Curbs Moreton's Power in U.S. Indoor Tennis

United Press International

MEMPHIS — John McEnroe beat Gilles Moreton of France on Wednesday in the second round of the U.S. National Indoor Championships, 6-3, 7-5.

The favorite at the \$225,000 tournament, McEnroe dropped his serve with a 6-5 lead in the second set, but he took an easy 7-1 tie-breaker.

Moreton, who was playing McEnroe for the first time, joked him with his vigorous forehand. "I knew he had a big serve, but I didn't know his forehand was so good," McEnroe said. "Actually, I thought he would hit his serve harder, but he went for the slice a lot."

Gene Mayer, the defending champion, eliminated Phil Dent, 6-7, 6-2, 6-3, avenging the Australian's mastery over him in Denver last week. "He [Dent] is able to take one out of any opponent," Mayer said. "He's one of the few players who can do that."

Vitas Gerulaitis easily took the first set against Matt McDonald, 6-3, but struggled to win, 7-5, in the second on his way to the third round.

Three seeded players were felled in second-round matches. Kevin Curren of South Africa beat Kevin Carr, 6-3, 6-2. The only thing I'm sure of is that I won a gold medal today." Beyond that, nothing seemed to matter.

Denmark Event in Jeopardy
NEW YORK (AP) — The Men's International Professional Tennis Council has threatened to cancel a Grand Prix tournament scheduled for Copenhagen next month unless qualified South Africans are allowed to compete.

If the event, scheduled for March 1-7, is canceled, it will be the first time such action has been taken in the Grand Prix. "Our

rules say players have to be admitted to tournaments without discrimination," Marshall Happer, the council's administrator, said Wednesday. "If a guy who gets into a tournament draw through the system of merit is subsequently removed from that event without a valid reason, we can't permit that."

The Danish Ministry of Foreign Affairs had told the Danish Tennis Association that no South African players would be admitted to the country. South Africans are often barred from international sporting events because of their country's official policy of apartheid.

NHL Standings

Wales Conference Pacific Division

	W	L	Pct.
NY Islanders	24	12	.667
Philadelphia	24	14	.630
Pittsburgh	24	16	.600
Washington	22	18	.550
Montreal	22	19	.538

Atlantic Division

	W	L	Pct.
Boston	24	12	.667
Philadelphia	24	14	.630
Pittsburgh	24	16	.600
Washington	22	18	.550
Montreal	22	19	.538

Central Division

	W	L	Pct.
Atlanta	21	22	.489
Indiana	19	24	.440
Chicago	20	23	.465
Cleveland	19	24	.440

Western Conference Midwest Division

	W	L	Pct.
San Antonio	22	17	.565
Houston	22	18	.550
Denver	22	18	.550
Utah	21	19	.524
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Pacific Division

	W	L	Pct.
Los Angeles	24	14	.630
Portland	22	17	.565
Golden State	22	18	.550
Phoenix	21	19	.524
San Diego	21	20	.512

Western Conference's Results

Holy Cross 75, Rhode Island 70	
Rutgers 66, Long Island U. 65	
St. John's, NY 93, Connecticut 82, OT	
Villanova 66, Seton Hall 53	
SOUTH	
Georgia 71, Mississippi St. 49	
Georgia Tech 79, Francis Marion 54	

Observer

Terrorism? Not for Me

By Russell Baker

NEW YORK — It has always seemed odd to me that after a group of terrorists commits a vile and odious deed they rush messengers to the public to claim credit for it. Sometimes, competitive terrorists who had nothing to do with the heinousness call up editors or broadcasters and claim credit for it anyhow.

This is one of the main reasons I haven't taken up the terrorism profession despite the glamour attaching to it these days. My natural instinct after doing something shameful is not to rush into the street boasting about it but to put on dark glasses and head for the next county, hoping nobody notices I've been in the neighborhood.

Say the cashier at Mannheimer's Delicatessen gives me a dollar too much in change and I keep it instead of handing it back. Do I rush home and phone the networks so they can tell the world I am a chiseler?

Of course not, and neither does anybody else, except terrorists. You and I might happily claim the dishonorable dollar as a windfall in an inflation-ravaged world, but if Mrs. Mannheimer dropped by while we were gloating and called us deadbeats and demanded her dollar back, we'd feel thoroughly ashamed, wouldn't we?

I know I would. A terrorist, on the other hand, wouldn't feel ashamed. He would seize Mrs. Mannheimer and squirrel her away, then phone the papers to claim credit for being a kidnapper.

Now, you have to find a place to hide her. You can't keep her in chains at home without having your wife raise an eyebrow, so immediately you have to think about paying a second rent. Better to return Mrs. Mannheimer's dollar, slip her a sawbuck for a promise to keep quiet and send her back to the deli.

But say you're a real terrorist, maybe a leader in the dreaded Lox Escadrille, which is waging terrorist warfare against the injustice of

delicatessen prices. Imagine having to sit there day after day with Mrs. Mannheimer to make sure she doesn't bolt.

Sooner or later, she'd have to be tried by a people's court and convicted of committing outrageous markups on pastrami or cole slaw.

As a member of a people's court, naturally I'd be an idealist and so would have to listen fairly to Mrs. Mannheimer's defense.

She would probably concede that the salami is outrageously overpriced, but defend the margins on the grounds that she has to cover the losses she incurs on slow-selling pickled pigs' feet.

Just imagining her argument is enough to make me vote "not guilty," and of course you can't vote anybody not guilty if you're a terrorist.

Even if I did like to boast about doing vile deeds and would rather watch kidnapped prisoners than Johnny Carson, I'd be incompetent for the work.

I don't think you can succeed in terrorism without a superhuman quantity of principle. You have to believe in your own principles so strongly that you have no strength left to care about anybody else's principles.

The guiding principles differ from group to group. The Ulster Irish proudly commit terrible crimes upon each other for the principle of political justice. Middle Easterners can casually murder children in the cause of international justice. Western European terrorists kill more or less at random out of faith that the human race can be perfected and man led to a state of happiness by having his neighbor hurried to the grave.

To succeed at terrorism you have to come equipped with principles so noble that you're willing to phone the papers and boast about how odiously you've behaved to uphold them. In the past, distasteful conduct in service to lofty principle has been the exclusive right of nations. With the spreading popularity of high-minded terrorism, however, it threatens to become the individual's romantic equivalent of war.

Nations having failed to perfect humanity despite considerable carnage, terrorists have now decided to step in and do the job right. Too bad, Mrs. Mannheimer.

New York Times Service

Costa-Gavras' Controversial Chile Film

By Flora Lewis

PARIS — Fact: A young American free-lance writer named Charles Horman was killed during the 1973 coup that brought the Pinochet regime to power in Chile.

Fact: His father, a New York industrial designer, was told that his son was missing and went to Chile to search for him. Edmund C. Horman, the father, gradually became convinced that the U.S. Embassy in Santiago not only knew about the murder from the start but was intent on concealing it because it shared responsibility. He later sued 11 high United States officials for \$4 million, but after a year and a half the case was dropped.

Fact: A lawyer named Thomas Hauser was drawn into the Horman family's crusade and wrote a book, "The Execution of Charles Horman: An American Sacrifice," published in 1979.

Fact: Costa-Gavras, the Paris-based Greek director who has made powerful political films about cases in Greece, Czechoslovakia and Uruguay, accepted an offer from Universal to make a movie from the Hauser book. "Missing" stars Jack Lemmon and Sissy Spacek, and opens in New York today. It is well made and cinematically convincing.

Fiction: "This film is based on a true story. The incidents and facts are documented. Some of the names have been changed to

protect the innocent and also to protect the film."

This message is shown at the start of the film. In many cases real names are used, real events are evoked, real emotions portrayed. These devices and the director's art are combined to persuade the audience that the whole story and its charge that the United States helped plan the coup in Chile and sanctioned the murder of Charles Horman are literally true.

But it is not a documentary, and in the course of a recent interview Mr. Costa-Gavras did not pretend that it is. "Don't ask a film director to be a political technician," he said after a showing in Paris. "Either you give two points of view, or you say, 'Here's what I think I draw my own conclusion.'"

One Point of View

That is the problem. The film gives only one point of view, essentially Ed Horman's, but its claim to present historical truth puts it into a different category from other political thrillers.

Mr. Costa-Gavras—who was interviewed before the U.S. State Department issued a statement taking issue with the film's version of the events—said he collaborated closely with Hauser and spent a good deal of time with the Horman family. But he made no effort to speak with the government officials his film portrays, nor to consult the records, particularly of the Senate Intelligence Committee headed by Sen. Frank Church, which made extensive investigations and issued a report on "Covert Action in Chile 1963-1975."

The role of the United States in Chile remains an extremely controversial, emotional subject. When Salvador Allende's regime was overthrown by Gen. Augusto Pinochet, many people felt it showed the United States would go at any length to prevent the survival of another leftist government besides Cuba in the Western Hemisphere.

Newspaper reports, especially those of Seymour M. Hersh in The New York Times, and records of the Church committee showed that the United States had indeed been involved in Chilean politics. The most damaging evidence related to CIA activity attempting to prevent Allende's election in 1970.

Nonetheless, Allende was elected. After that, according to the Church committee and statements by Nationalist Davis, assassinated in Santiago from 1971 until shortly after the 1973 coup, the United States channeled funds to political parties and news media in Chile but stayed away from violent rightists and military plots. Davis wrote in the Foreign Service Journal in 1978 — and the record confirms — that he successfully opposed CIA suggestions to support strikes and demonstrations to undermine Allende.

Conversely, Richard Helms and Hal Hendrix, an ITT official, were convicted of perjury for their testimony before a 1973 Senate committee on what happened in 1970. And there was the extraordinary 1970 order by President Richard M. Nixon to Helms not to inform Edward M. Korry, then ambassador to Santiago, and two top Cabinet members of the plot.

Davis' personality, and the

meticulous care he took in separating his firsthand knowledge from hearsay when he finally wrote in his own defense in 1978, make him believable. He said recently that he was convinced that he had not been treated like Korry and that activity he opposed was not conducted behind his back.

No Evidence

Hersh, who made many investigations in reporting on the events in Chile, said he investigated Horman's disappearance and found no evidence of involvement by the United States in Horman's fate or in the actual Pinochet coup.

The Hauser book and the film suggest that U.S. officials in Chile knew about Horman's murder and perhaps even instigated it because "he knew too much" about U.S. involvement in arranging the coup.

The drama is built on the evolution of Ed Horman's convictions. He arrives in Santiago to look for his son and seeks the help of the embassy, accusing his distraught daughter-in-law of holding "wildly unfounded suspicions about the officials."

Played by Lemmon, the father is shown as a confident, patriotic American who disapproves of what he considers a feeble younger generation. He is shocked by the slaughter in Santiago, but at first he feels uninvolved and only wants to find his son.

Step by step, he comes to share his daughter-in-law's views. When he learns that his son was killed well before he launched his search, he concludes that the embassy was covering up a crime it had arranged.

"They [the Chileans] wouldn't dare [execute a U.S. citizen] unless an American official co-signed a kill order," he tells the ambassador at the end.

Presentation of Denials

The ambassador replies: "We're not involved. Our position has been completely neutral. There are over 3,000 U.S. firms doing business down here and these are American interests. You can't have it both ways. I'm concerned about a way of life."

Davis not only denied the specifics, but said, "There wasn't remotely anything like 3,000 U.S. firms." The film does have him saying, as he says now, that the

embassy was seriously trying to find Charles Horman and didn't know he was dead. But all the embassy people's denials in the film are presented in a way to make a viewer share Ed Horman's belief that they were lying. "I would be astonished if they hadn't found out," he said. "Everything suggests the U.S. participated in the Chilean coup. A film reflects your personality, your own philosophy. You manipulate the elements and try to translate as honestly as possible. I don't say objectively, that doesn't exist. I'm not trying to stain Ambassador Davis or make him say what he didn't."

He brushes aside the distinction between fact and verisimilitude, proof and suspicion. "A film is not a court," he said.

Far from being bothered that his film's charges are not proven, he says he made an effort to understand the ambassador and his aides, to portray them as people who were just doing their jobs. He feels he treated them with relative sympathy, though he concedes he used "poetic license," "condensation," and "synthesizing" of Hauser's book for dramatic purposes.

He does not see any responsibility in his approach. "I'm trying to go more to the truth, to reality, to understand what happens. So long as a film or novel remains a story, it's because it challenges to interest, puts a finger directly on no problem."

There seems, in the end, to be the ultimate of the television age in Costa-Gavras' outlook. News is a show. Performance is the event. The line between fact and fancy is the line of passion. The image is the reality. The definition of truth has always been difficult, but Costa-Gavras does not concede the distortion of art. In that way, he winds up distorting fact without even noticing.



Director Costa-Gavras

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PEOPLE:

Bulletproof Jeep Is Given to Pontiff

Pope John Paul II, wounded in an assassination attempt last year, has been given a white Mercedes jeep fitted with a clear bulletproof top for use in St. Peter's Square. The vehicle, used by the pontiff during his four-day visit to West Germany in 1980, was presented as a gift by the West German automobile maker. The pope leaves today on a weeklong tour of Nigeria, Gabon, Benin and Equatorial Guinea.

She's through with skydiving but still thinks it's a great sport, 20-year-old waitress Lisa Boyer said after falling 12,500 feet (3,792 meters) from a plane when her parachute malfunctioned last week. She landed in a sludge pit near Perris Airport east of Los Angeles. The fall left her with compressed vertebrae. "It's challenging," she said of the sport, "but I've had my thrill." On her 54th jump, with parachutes she had packed herself, Boyer's rip cord stuck. She pulled the cord for the reserve chute, but it opened only slightly, and then she was 200 feet from the ground. Late last month a U.S. Army paratrooper, Terry Bennett, survived an 8,000-foot fall when her chute failed to open.

The French sculptor Jean Deboffe has been named recipient of The American Institute of Architects' 1982 medal for artists and craftsmen whose work relates to architecture. The award will be presented in Honolulu during the institute's convention in June.

President Reagan swore in Vihra Vahlgren, a reporter for 11 years in the Washington bureau of the Daily Oklahoman, as the first woman president of the National Press Club. Reagan twitted supporters of the Equal Rights Amendment, which he opposes. He said that with its first woman president, the press club "begins a new era. That's a Not E-R-A." In administering the oath before a laughing crowd, Reagan asked, "Do you affirm your devotion to the Constitution of the United States, to the National Press Club, to cherish it always, in sickness and in health, through deficits and remodeling, till politics do you part? Do you promise to uphold the sacred tradition of the card room, the billiard room and the tap room?" She did.

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ST VALENTINE'S DAY MESSAGES

For LHM, HT, Mrs. M.H. & The BOO! If it's not all about you, you're not 25!

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